ANNUAL REPORT 2018

Globetronics Technology Bhd.

(410285-W)

TOMORROW'S **WORLD TODAY**

Vision
To be the global business partner of choice
in niche products and services.

Mission
To deliver continuous growth and breakthroughs
in business performance with total customer satisfaction.

Belief
- **P**eople are our greatest asset
- **R**esults-oriented with customer satisfaction
- **O**rganizational agility
- **F**ocus on corporate excellence
- **I**ntegrity at all times
- **T**eam-based approach

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Corporate Information

Board of Directors

Mr. Michael Ng Kweng Chong
(Founder and Executive Chairman)

Dato' Heng Huck Lee
(Chief Executive Officer)

Dato' Syed Mohamad Bin Syed Murtaza

Dato' Norhalim Bin Yunus

Dato' Iskandar Mizal bin Mahmood

Mr. Yeow Teck Chai

Mr. Ng Kok Khuan

Ms. Lam Voon Kean

Ms. Ong Huey Min

Audit and Risk Management Committee

Chairman

Dato' Syed Mohamad Bin Syed Murtaza

Members

Ms. Lam Voon Kean
Ms. Ong Huey Min

Secretaries

Lee Peng Loon (MACS 01258)
P'ng Chiew Keem (MAICSA 7026443)

Registered Office
51-21-A, Menara BHL Bank,
Jalan Sultan Ahmad Shah,
10050 Penang, Malaysia.
T (604) 210 8833 / F (604) 210 8831

Share Registrars
Agriteum Share Registration Services Sdn Bhd
2nd Floor, Wisma Penang Garden,
42, Jalan Sultan Ahmad Shah,
10050 Penang, Malaysia.
T (604) 228 2321 / F (604) 227 2391

Auditors
KPMG PLT Penang
Chartered Accountants

Principal Financial Institutions
Citibank Berhad
OCBC Bank (Malaysia) Berhad
CIMB Bank Berhad
AmBank Berhad
HSBC Bank Malaysia Berhad
Public Bank Berhad

Principal Solicitor
Ghazi & Lim

Stock Exchange Listing
Main Board of Bursa Malaysia Securities Berhad
Stock Code: 7022

Group Corporate Structure

Globetronics Technology Bhd
(410285-W)

100% **Globetronics Sdn Bhd**
Assembly & Testing of Integrated Circuits ("IC"), Optoelectronic Products and Technical Plating Services

100% **ISO Technology Sdn Bhd**
Manufacturing of Small Outline Components, Light-Emitting-Diode ("LED") Components and Modules and Technical Plating Services for the Semiconductor Industry

100% **Globetronics (KL) Sdn Bhd**
Assembly and Testing of Plastic Moulded and Ceramic Chip Carrier Quartz Crystal Timing Devices

100% **Globetronics Manufacturing Sdn Bhd**
Development and Assembly of Sensors and Optical Products for Smart Mobile and Wearable Application

100% **Globetronics International Incorporated**
Investment Holding
-100% Globetronics (HK) Limited
Trading of Electronics/ Semiconductor Components

100% **Globetronics Medical Technology Sdn Bhd**
Provision of Computer Hardware and Software, System Solutions and Consultations

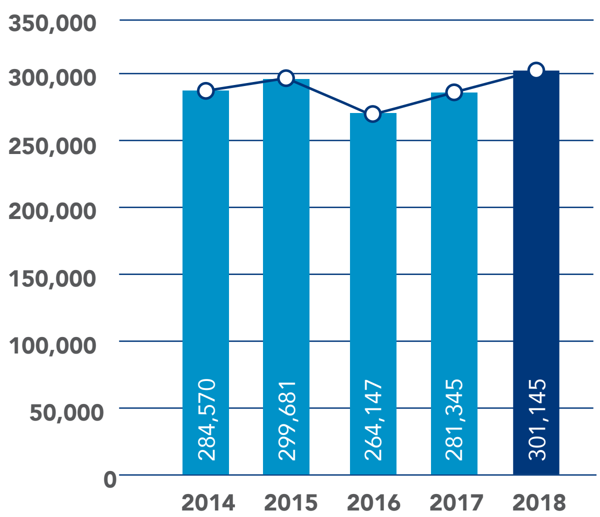
100% **Globetronics Industries Sdn Bhd**
Dormant

49% **NGK Globetronics Technology Sdn Bhd**
Advanced Ceramic Piece-Parts Manufacturing

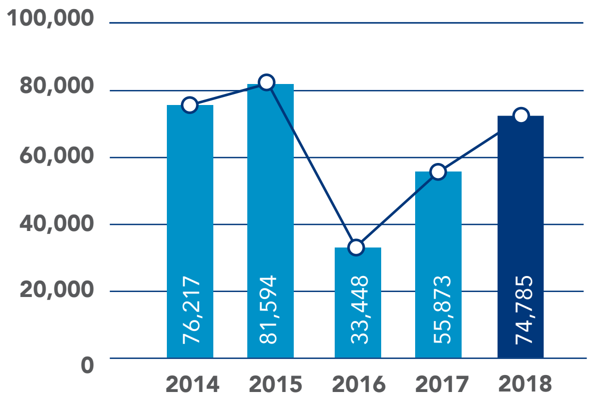
Financial Highlights

Year Ended 31 December	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000
Turnover	355,043	343,655	215,346	304,558	327,956
Profit Before Taxation	76,217	81,594	33,448	55,873	74,785
Profit After Taxation	64,399	71,314	25,721	51,147	70,117
Profit Attributable to Shareholders	64,399	71,314	25,721	51,147	70,117
As at 31 December					
Total Assets Employed	358,197	357,418	310,414	397,143	376,069
Shareholders' Funds	284,570	299,681	264,147	281,345	301,145
Net Earnings Per Share* (Sen)	9.83	10.86	3.91	7.72	10.50
Net Tangible Assets Per Share* (RM)	0.43	0.45	0.40	0.42	0.45

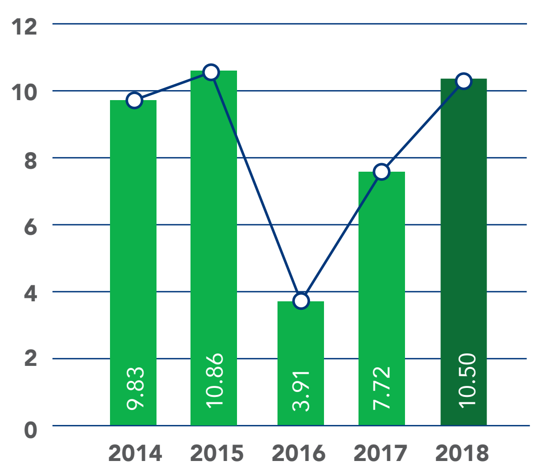
* The comparative figures for Net Earnings Per Share and Net Tangible Assets Per Share have been restated to reflect the adjustment arising from the Subdivision and Bonus Issue completed during the financial year 2018.



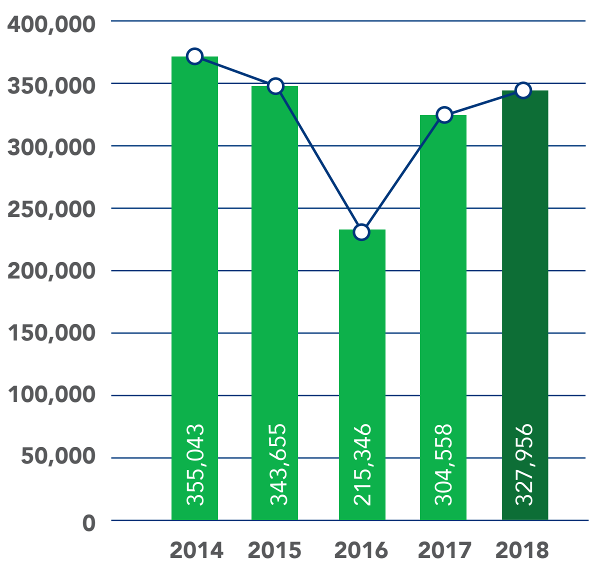
Shareholders' Funds (RM'000)



Profit Before Taxation (RM'000)

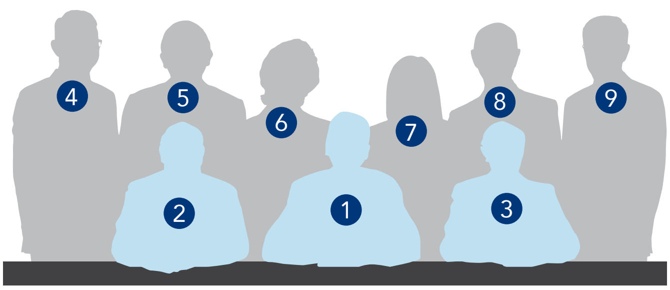


Net Earnings Per Share* (Sen)



Turnover (RM'000)

Board of Directors



Front row

1. **Mr. Michael Ng Kweng Chong**
   Founder and Executive Chairman

2. **Dato' Heng Huck Lee**
   Chief Executive Officer

3. **Dato' Syed Mohamad Bin Syed Murtaza**

Top row

4. **Dato' Iskandar Mizal Bin Mahmood**
5. **Dato' Norhalim Bin Yunus**
6. **Ms. Ong Huey Min**
7. **Ms. Lam Voon Kean**
8. **Mr. Yeow Teck Chai**
9. **Mr. Ng Kok Khuan**

Profile of Directors

Aged 71, Male, Malaysian
Non-Independent Executive Director of
Globetronics Technology Bhd ("GTB")

Director since 5 August 1997
Executive Chairman and
Chief Executive Officer since May 1998
Founder and Executive Chairman since January 2008

Mr. Michael Ng Kweng Chong

Mr. Michael Ng is currently the Founder and Executive Chairman of GTB. He was the original founder of Globetronics Sdn Bhd ("GSB") in 1991. He nurtured the Company from an initial paid-up capital of RM3 million 27 years ago and led the Company to a successful IPO in 1997. Today, Globetronics has grown to become a company listed on the Main Market of Bursa Malaysia Securities Berhad with eight subsidiaries and one associated company with a paid up capital of more than RM180 million.

Mr. Michael Ng graduated from the University of London in 1972 with an Honours Degree in Mechanical Engineering. He has earned many certifications and recognition in the areas of technical, management and business developments and expertise in the High Technology Semiconductor manufacturing arena. In his 18 successful years working for Intel Technology Sdn Bhd, Michael Ng grew rapidly from an Engineer in 1972 to various senior management positions within Intel Penang, the Asia Pacific and the US. Of significance were the senior management positions spanning 1 year in Intel US, 2 years each for the Far East Automotives' Business Group and the Asia Pacific Quality Support Group covering South Korea, Taiwan, Hong Kong, Singapore and Malaysia.

He attended all 5 Board Meetings held during the financial year ended 31 December 2018.

Mr. Michael Ng is the uncle of Mr. Ng Kok Khuan who is a director of GTB. He has no conflict of interest in any business arrangement involving the Company.

Aged 62, Male, Malaysian
Non-Independent Executive Director of GTB

Director since 10 November 1997
Chief Operating Officer ("COO") since May 1998
Chief Executive Officer ("CEO") since January 2008

Dato' Heng Huck Lee

He graduated with a Bachelor of Applied Science (Honours) majoring in Computer and Electronic Technology from University Sains Malaysia ("USM") in 1982. He also obtained a Master in Business Administration from East Asia University in 1991. His past working experience includes a 10-years operations/management position with Intel Technology Sdn Bhd, one of the world's largest semiconductor manufacturer. He also has more than 5 years working experience as a Group General Manager with Shinca Sdn Bhd, an Original Equipment Manufacturer/subcontract manufacturer for a wide range of electronics and computer products from 1991 to 1997.

Dato' Heng was the President of Frepenca (The Free Industrial Zone, Penang, Companies Association) from 2011 to 2015.

Dato' Heng is also a committee member of Malaysian Investment Development Authority's ("MIDA") Electronics & Electrical ("E&E") Strategic Council, Frepenca, Penang Strategic Investment Advisory Council ("PSIAC") and Universiti Tunku Abdul Rahman ("UTAR") Industrial Advisor, Faculty of Business and Finance.

He attended all 5 Board Meetings held during the financial year ended 31 December 2018.

Dato' Heng Huck Lee does not have any family relationship with any director and/or major shareholder of GTB, nor any conflict of interest in any business arrangement involving the Company.

Profile of Directors

Dato' Syed Mohamad bin Syed Murtaza

Aged 71, Male, Malaysian
Independent Non- Executive Director of GTB

Director since 18 May 2011

Dato' Syed has over 49 years of vast experience in the business, corporate and entrepreneurial exposures. After completing his education at Penang Free School, he joined Kah Motors and has since been appointed to several key positions in various business and non-business organizations both locally and internationally. He has served in reputable multinational companies such as Shell Malaysia and was the Chairman of Penang Port Commission. He was the former Chairman of DRB HICOM Berhad and former President of The Federation of Asia Motorcycle Industries and International Motorcycle Manufacturers Association. Dato' Syed is experienced in a diverse range of businesses from automotive and manufacturing to exports, trading, property and oil and gas.

He is the Chairman of the Audit and Risk Management Committee and a member of the Employee Share Options Scheme ("ESOS") and Nomination Committee in GTB. He currently sits on the boards of Master-Pack Group Berhad (Executive Chairman), Yayasan Bumiputra Pulau Pinang Berhad, MITTAS Berhad, Boon Siew Credit Berhad, Penang Tourists Centre Berhad, Tourism Entrepreneur Centre Berhad, PBA Holdings Berhad and several private limited companies such as Armstrong Auto Parts Sdn. Bhd., Penang Port Sdn. Bhd., and Usains Holdings Sdn. Bhd., the corporate arm for Universiti Sains Malaysia. He is also the Executive Chairman of USIM Tijarah Holding Sdn. Bhd., the corporate arm of Universiti Sains Islam Malaysia.

He also heads Penang Tourist Centre Berhad, MITTAS Berhad, and is the Advisor of Motorcycle, Scooter Assembly & Distributor Association of Malaysia. He attended all 5 Board Meetings held during the financial year ended 31 December 2018.

Dato' Syed does not have any family relationship with any director and/or major shareholder of GTB, nor any conflict of interest in any business arrangement involving the Company.

Ms. Lam Voon Kean

Aged 66, Female, Malaysian,
Independent Non-Executive Director of GTB.

Director since 15 May 2013

She is a member of the Malaysian Institute of Accountants ("MIA") and Malaysian Institute of Certified Public Accountants ("MICPA"). She joined KPMG Penang in year 1974 as an articled student and qualified as a Certified Public Accountant in 1981. She was one of the senior audit managers of KPMG Penang and acted as the engagement manager for various audit engagements and also for assignments relating to the listing of shares on the Malaysian Stock Exchange and was involved in the review and preparation of profit and cash flow forecasts and projections. She left KPMG Penang and joined M&C Services Sdn. Bhd. (now known as Boardroom Corporate Services (KL) Sdn. Bhd.) in 1994 and was promoted to Executive Director managing a suite of business solutions and services for public listed companies, private companies and branches of multi-national companies. She was promoted to Managing Director of Boardroom Corporate Services (Penang) Sdn. Bhd. ("Boardroom") consequent to an internal restructuring exercise in year 2005 and retired on 31 December 2011. Upon retirement, she accepted a one year contract to act as consultant to Boardroom effective 1 January 2012.

She is the Chairwoman of ESOS committee and a member of Audit and Risk Management Committee in GTB.

Ms. Lam currently sits on the Board of Asia File Corporation Bhd., RGB International Bhd., Alcom Group Bhd. and Tambun Indah Land Bhd.

She attended all 5 Board Meetings held during the financial year ended 31 December 2018.

Ms. Lam Voon Kean does not have any family relationship with any director and/or major shareholder of GTB, nor any conflict of interest in any business arrangement involving the Company.

Ms. Ong Huey Min

Aged 60, Female, Malaysian
Independent Non-Executive Director of GTB

Director since 23 October 2017

She is a member of MIA, MICPA and Chartered Tax Institute of Malaysia ("CTIM"). She was with KPMG Malaysia for more than 35 years and was a Partner with KPMG and Head of Tax Division of KPMG Penang prior to her retirement on 31 December 2014. She has extensive experience in tax compliance and advisory throughout her career. She was the engagement partner for a wide range of companies which included public listed companies and multinationals in various industries, mainly in manufacturing, property development, construction and hotels. She has advised foreign investors on their initial setting up of operations in Malaysia including on the various tax incentives being promised by the Government. She is currently a partner with YNWA Advisory PLT.

She is a member of the Audit and Risk Management Committee in GTB.

Ms. Ong currently sits on the Board of Pensonic Holdings Bhd.

She attended all 5 Board Meetings held during the financial year ended 31 December 2018.

Ms. Ong Huey Min does not have any family relationship with any director and/or major shareholder of GTB, nor any conflict of interest in any business arrangement involving the Company.

Profile of Directors

Dato' Iskandar Mizal bin Mahmood

Aged 53, Male, Malaysian
Independent Non-Executive Director of GTB

Director since 16 May 2012

Dato' Iskandar graduated from Boston University, USA in 1989 with a Bachelor of Science Degree in Business Administration majoring in Accountancy. He is currently the Chairman of the Board of Theta Edge Berhad, a public listed company.

He has 30 years' experience with multitude of companies ranging from multinationals to government linked companies and spanning from investment banking to technology sectors at all levels from hands-on operations to leadership.

Dato' Iskandar started his career with an international audit firm Arthur Andersen & Co in 1989. He moved into merchant and investment banking serving Bumiputra Merchant Bankers Berhad and Commerce International Merchant Bankers Berhad (now known as CIMB Group). He joined Malaysia Airports Holdings Berhad ("MAHB") in 1999 to undertake the Initial Public Offering and Listing of MAHB on Bursa Malaysia and assumed other responsibilities such as Corporate Finance, Strategic Planning, Business Development and Investor Relations.

In 2003, Ministry of Finance Malaysia and Khazanah Nasional Berhad ("Khazanah") appointed him to helm the leadership of Malaysian Technology Development Corporation ("MTDC"). He was later appointed in 2005 to helm the leadership of Malaysian Biotechnology Corporation Sdn Bhd, one of the Government of Malaysia's key technology initiatives at that time.

He then ventured into the private education sector in 2011 by partnering with Manipal Education Global of India to set up Manipal International University in Malaysia. He also served as the Group CEO of Pos Malaysia Berhad in 2013 before taking on the role of Managing Partner and Director of a renowned local consulting firm, Ethos Consulting. He was the Group CEO of Granatum Ventures Sdn. Bhd., a wholly-owned subsidiary of Khazanah from 3 April 2017 to 31 January 2019 where he successfully turned around the operations of Khazanah's creative and media portfolio.

He also served as a member of Lembaga Tabung Haji Investment Panel from 1 November 2016 to 29 August 2018.

He is the Chairman of Nomination Committee and a member of the Remuneration Committee in GTB.

He attended all 5 Board Meetings held during the financial year ended 31 December 2018.

Dato' Iskandar does not have any family relationship with any director and/or major shareholder of GTB, nor any conflict of interest in any business arrangement involving the Company.

Dato' Norhalim bin Yunus

Aged 56, Male, Malaysian
Non-Independent Non-Executive Director of GTB

Director since 18 July 2008

Dato' Norhalim is the Chief Executive Officer of MTDC, a wholly-owned subsidiary of Khazanah, the investment arm of the Malaysian Government.

Dato' Norhalim has been the CEO of MTDC since June 2008 and has extensive experience in early stage technology ventures, the commercialisation of public sector universities' research results and venture fund management. He has had the opportunity to be exposed to a wide range of technology ventures through his involvement in various funding initiatives. As one of the pioneer staff of MTDC, Dato' Norhalim has wide ranging experience in the field of technology development and investment. MTDC has through the years funded projects in ICT, electronics, biotechnology and advanced material both in Malaysia and globally. He has represented MTDC on the board of several technology companies in Malaysia and The United States. Dato' Norhalim is a graduate of Universiti Kebangsaan Malaysia.

He is a member of the Remuneration Committee of GTB.

Currently, Dato' Norhalim sits as a Non-Independent Non-Executive Director on the Board of Bioalpha Holdings Berhad.

He attended all 5 Board Meetings held during the financial year ended 31 December 2018.

Dato' Norhalim does not have any family relationship with any director and/or major shareholder of GTB, nor any conflict of interest in any business arrangement involving the Company.

Mr. Yeow Teck Chai

Aged 68, Male, Malaysian,
Independent Non-Executive Director

Director since 16 May, 2012

Mr. Yeow holds a Bachelor of Economics (Hons) degree from the University of Malaya. Mr. Yeow served the Malaysian Investment Development Authority ("MIDA") for 32 years and held the post of Deputy Director General prior to his retirement in August, 2006. During his term in MIDA, he has accumulated invaluable experience in drawing up and implementing industrial strategies in attracting Foreign Direct Investment ("FDI") into Malaysia and promoting domestic investment within the country. He participated in innumerable trade and investment missions overseas and attended and spoke in many international business conferences.

He is the Chairman of the Remuneration Committee and a member of the Nomination Committee in GTB.

Mr. Yeow acts as Business Advisor to numerous companies in Malaysia and overseas.

He attended all 5 Board Meetings held during the financial year ended 31 December 2018.

Mr. Yeow Teck Chai does not have any family relationship with any director and/or major shareholder of GTB, nor any conflict of interest in any business arrangement involving the Company.

Mr. Ng Kok Khuan

Aged 68, Male, Malaysian
Non-Independent Non-Executive Director of GTB

Director since 19 May 1998

He graduated with a Diploma of Business Studies in 1975 from Australia and is a member of the Malaysian Institute of Accountants. From 1976 to 1977 he was employed as the Internal Auditor of Central Finance Berhad. In 1978 he was appointed as the Company Secretary of General Produce Agency Sdn Bhd. and he has held the position since then.

He is a member of the ESOS Committee of GTB.

He attended all 5 Board Meetings held during the financial year ended 31 December 2018.

Mr. Ng Kok Khuan is the nephew of Mr. Michael Ng, who is a director and major shareholder of GTB.

He has no conflict of interest in any business arrangement involving the Company.

Additional information:
None of the Directors has:
(i) been convicted of any offence (other than traffic offences) within the past five (5) years; and
(ii) been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year ended 31 December 2018.

Profile of Key Senior Management

Front row : (From Left) Dato' Heng Huck Lee, Mr. Michael Ng Kweng Chong
Top row : (From Left) Mr. Ng Kok Choon, Ms. Choong Lai Kwan, Ms. Heng Charng Yee, Mr. Ng Kok Yu

Mr. Michael Ng Kweng Chong

Aged 71, Male, Malaysian
Founder and Executive Chairman
Mr. Michael Ng Kweng Chong is a Non-Independent Executive Director of GTB. He was appointed to the Board of GTB on 5 August 1997.

His profile is listed in the Profile of Directors on page 6.

Dato' Heng Huck Lee

Aged 62, Male, Malaysian
Chief Executive Officer
Dato' Heng Huck Lee is a Non-Independent Executive Director of GTB. He was appointed to the Board of GTB on 10 November 1997. He was appointed as the COO of GTB in May 1998 and was later promoted to be the CEO in January 2008.

His profile is listed in the Profile of Directors on page 7.

Mr. Ng Kok Choon

Aged 53, Male, Malaysian
Chief Financial Officer
Mr. Ng Kok Choon graduated with a Bachelor of Commerce (Accounting) degree from University of New South Wales, Australia.

He joined KPMG Penang in 1989 and qualified as a Certified Practicing Accountant (Australia) and Chartered Accountant with MIA.

He joined GSB in January 1996 as an Accountant and worked his way to be the Chief Financial Officer of GTB in July 2006.

He currently sits on the board of all the subsidiaries and an associated company of GTB.

Mr. Ng Kok Choon is the nephew of Mr Michael Ng and cousin of Mr. Ng Kok Khuan who are the directors of GTB. He has no conflict of interest in any business arrangement involving the Company.

Ms. Heng Charng Yee

Aged 35, Female, Malaysian
Business and Operations Vice President
Ms. Heng Charng Yee graduated with a Degree in Engineering (Major in Electronics) from Multimedia University, Malaysia.

She started her career with Tyco, Fire and Security in Malaysia as an Asia Management Trainee in September 2007. Her career in Tyco Fire and Security expanded to roles in Project Management, Regional Business Operations and Operational Excellence and Strategic business expansion in Malaysia, Singapore and Shanghai.

She joined Globetronics Manufacturing Sdn Bhd ("GMSB") in 2013 as a Quality and Strategic Business Manager in charge of overseeing quality across GSB and GMSB as well as development of strategic projects. She was appointed as Business and Operations Senior Director in July 2016 and subsequently appointed as Business and Operations Vice President in January 2018.

Ms. Heng Charng Yee is the daughter of Dato' Heng Huck Lee, who is a director of GTB. She has no conflict of interest in any business arrangement involving the Company.

Ms. Choong Lai Kwan

Aged 50, Female, Malaysian
Financial Controller
Ms. Choong Lai Kwan graduated with Bachelor of Accounting Degree from University Utara Malaysia and qualified as a Chartered Accountant with MIA.

She started her career with Dynacraft Industries Sdn Bhd and Coopers and Lybrand in 1994. She joined GSB in 1995 as Finance Officer and was appointed as the Financial Controller of ISO Technology Sdn Bhd (one of the subsidiaries of GTB) in July 2016.

Ms. Choong Lai Kwan does not have any family relationship with any director and/or major shareholder of GTB. She has no conflict of interest in any business arrangement involving the Company.

Mr. Ng Kok Yu

Aged 43, Male, Malaysian
Corporate Director
Mr. Ng Kok Yu graduated with a Bachelor of Science degree in Finance from Arizona State University. He started his career with GSB in April 1999 as a Corporate Planning Officer in charge of treasury functions and investment holding companies of the Group. He was appointed as the Corporate Director of GTB in July 2016, in charge of merger and acquisition ("M&A") opportunities, legal review as well as handling of investor relations with the investment community. Mr. Ng Kok Yu is the son of Mr. Michael Ng and cousin of Mr. Ng Kok Khuan, who are the directors of GTB. He has no conflict of interest in any business arrangement involving the Company.

Additional information:
None of the Key Senior Management has:
(i) been convicted of any offence (other than traffic offences) within the past five (5) years; and
(ii) been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year ended 31 December 2018.

Founder and Executive Chairman's Message

Our Group triumphantly closed FY2018 with a set of stellar top and bottom lines of RM328 million and RM70.1 million respectively, an improvement of 8% and 37% respectively over FY2017 performance. Correspondingly, dividend payments to shareholders totalled RM57.2 million for FY2018 which translates into approximately 82% payout ratio as reward to our loyal shareholders.

Financial Year ("FY") 2018 must take the crown as being the most challenging and yet most successful year for our Group where we witnessed our Group positively and successfully surged past its strategic inflection point with another set of breakthroughs and financial results delivered especially by our Sensors Division (GMSB) in the midst of a myriad of "real-time-parallel-run" re-construction/renovation works all of which were completed seamlessly, creatively and cost effectively at providing urgently needed solutions to cater for our key customers' demanding future expansion requirements.

Under even more demanding and volatile business environment than ever before, our highly respected and outstanding CEO (Dato' Heng Huck Lee) dedicated his heart-and-soul into role modelling, leading, guiding, grooming and motivating our entire workforce through another year-long-7x24-weeks in delivering another incredible set of game-changing breakthroughs and financial results for FY2018.

As the result of successfully developing and ramping new light-sensors and gesture-sensors that were designed-in as standard features in our customer's newly launched devices, had elevated us to become a key supplier and co-development business partner. We have also been delivering total customer satisfaction in quality and delivery despite unprecedented demand-volatility and poor-visibility in product loadings. Our massive capital expenditure ("CAPEX") investment of RM107 million in FY2017 and RM35 million in FY2018 to support our new sensors manufacturing and development have proven to be strategic with excellent return-on-investment ("ROI") for our Group.

With this, our Group triumphantly closed FY2018 with a set of stellar top and bottom lines of RM328 million and RM70.1 million respectively, representing approximately 8% and 37% increase respectively over FY2017 numbers. Dividend payouts to shareholders totalled at RM57.2 million for FY2018 which translates into approximately 82% payout ratio of the net profit for the year. Yearend cash-flow position remained healthy at RM121 million. We have also successfully pared down the USD loan to USD 6 million (RM24.9 million) in FY2018 from USD13 million (RM51.2 million) in FY2017 thanks to the strong sales (collections) and profit contributions from our smart sensors businesses.

On top of our financial and operational excellence achieved in FY2018, our Group worked diligently and passionately in laying even stronger foundation in readiness for the coming years' exponential growth in the new generation sensors for wireless, mobile and autonomous technology sectors in which we participate in. Among the many exciting products which should be in their various stages of mass production include next generation sensor products and bio environment sensor, 5G related components and 3D components for a niche industry.

Organizationally, our Group's top management succession plan continued to make excellent progress with our identified CEO/COO succession candidate (Ms CY Heng, Business and Operations Vice President) assuming additional roles under the impeccable guidance of our CEO and board members, and well supported by our Group's six (6) well-groomed Business/Operational Directors. On top of that, excellent progress has been seen in our continuous development and grooming of various levels of succession candidates in the leadership, technical, human resources and business sustainability arena to lead our Group's highly motivated and well-aligned workforce.

FY2018 has also been tremendously taxing but a successful year for our Corporate Finance and Planning team which had done an impeccable job in their continuous education, research and execution towards compliances of a host of revamped statutory, regulatory and reporting requirements in the Malaysian Corporate scene like Bursa Malaysia, Securities Commission, Companies Commission of Malaysia, Inland Revenue Board, Malaysian Accounting Standards Board, Bank Negara and etc. On top of these, our Corporate team had also successfully executed a couple of major changes like abolishment of Goods and Service Tax ("GST"), implementation of Sales Tax and Service Tax ("SST") as well as subdivision of Gtronic stocks (2 for 1) and bonus issue (1 for 6) exercise. From the investors relations perspective, our Corporate team again partnered well in connecting with many regional and Malaysian investors, leading to the interest in Gtronic stocks remaining active despite the market capitalization dropping to RM1.17 billion in FY2018 from RM1.88 billion in FY2017 due to the unprecedented volatility caused by global sell-down of technology stocks arising mainly from the US/China trade-war. Our shareholders fund at the close of FY2018 stood at RM300 million.

Without any shadow of a doubt, our Group owe our FY2018's successes to our highly respected and most passionate CEO for leading and motivating our entire group of fully committed and well aligned workforce towards delivering such a set of stellar results in FY2018. By the same token, our Group's Management team would like to put on record our heartfelt gratitude to each and everyone of our Board members for their meticulous guidance, timely support and invaluable motivation provided to our Management team in bringing the very best out of our Group through all these past years. Last but not least, on behalf of Globetronics Technology Bhd and group of companies, I would like to thank each and everyone of our shareholders and stakeholders for your unfailing faith, encouragement and support all through our Group's exciting and challenging journey over the past years and many more years to come.

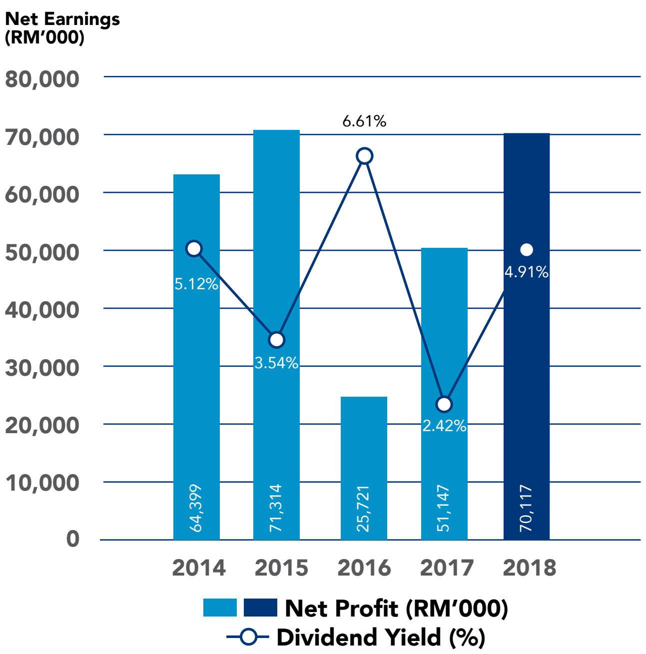
FINANCIALS/DIVIDENDS

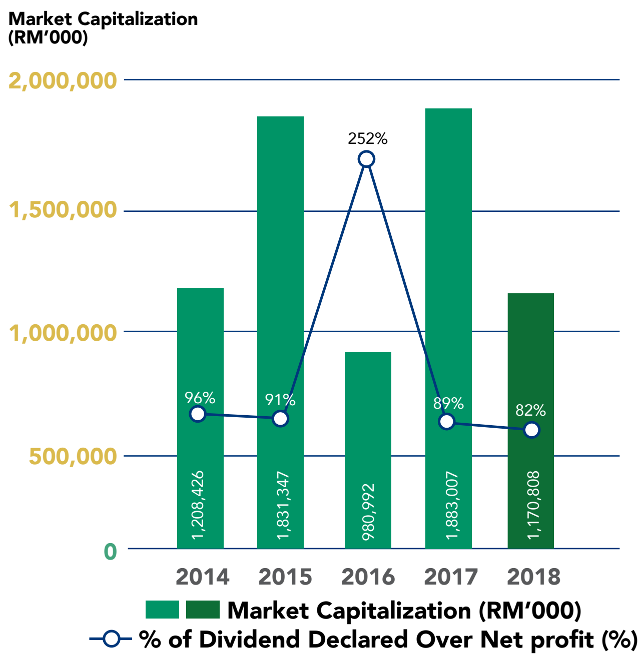
After the high CAPEX spending of RM107 million in FY2017 laying the foundation for future growth, we reverted back to our traditional policy of preserving cash in an uncertain global environment. Our operations team have contributed well by maximizing productivity and fully utilizing installed capacity across all our product lines to significantly reduce CAPEX spending for FY2018. This provided us with the ability to deliver dividend payments of RM57.2 million (representing 82% payout of net profit) to our loyal shareholders. We are happy to report that we ended FY2018 with healthy cash and bank balances of RM121 million.

Details of dividend payments are as follows:

1. Year 2017's third interim and special dividend of 6 sen per share amounting to RM17.1 million on 30 March 2018;
2. Year 2018's first interim and special dividend of 3 sen per share amounting to RM20.01 million on 11 July 2018; and
3. Year 2018's second interim and special dividend of 3 sen per share amounting to RM20.07 million on 4 December 2018.

In response to many of our institutional investors' request to increase the liquidity of Gtronic stocks, our Group also successfully completed the subdivision (2 for 1) and bonus issue (1 for 6) of our stocks in May 2018.





Founder and Executive Chairman's Message (cont'd)

ENVIRONMENT, SOCIAL AND GOVERNANCE ("ESG") INITIATIVES

Since Globetronics' inception 27 years ago, our Group have always held firm to our strong commitment striving to be a good corporate citizen and a valuable asset in any communities and countries which we operate in. In our Group's pro-activeness towards achieving excellence in our ESG fronts, we focus on benchmarking and modelling our applications after the best of global standards especially along key areas of environment protection, conservation of natural resources, corporate social responsibilities ("CSR") that spread and share love and protection for all humans and lives on earth.

This year, we have extended our key focus in identifying renewable energy as another driver in our ESG initiatives which have made tremendous progress towards a more structured approach to our Group's ESG initiatives. Details of our passionate adoption and application of ESG drives are further discussed and elaborated in the following section under Sustainability Statement on pages 22 to 31 of this report.

▲ Globetronics Appreciation Dinner Held At SPICE Arena

▲ Visit by MIDA

▲ Annual Dinner Lucky Draw Grand Prize Winner

▲ Donation to Penang Peace Run 2018

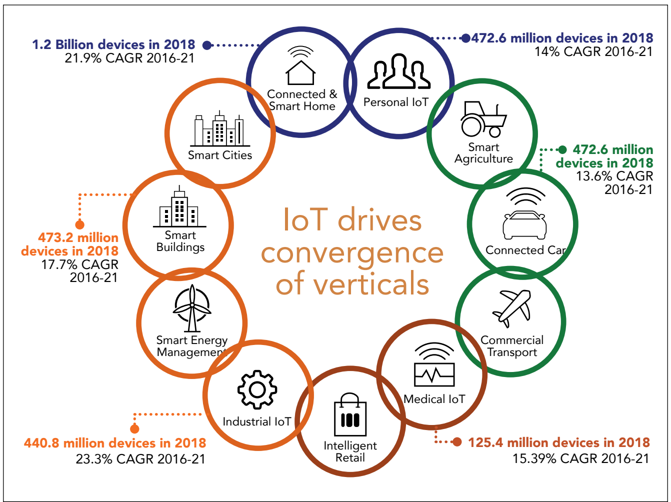
▲ Employee Recognition Reward to Key Contributors

▲ 25 Years Service Awards

PROSPECTS AND OUTLOOK

Today's technology companies are confronted with the oft-repeated challenges perfectly described by clichés like: "change is constant", "uncertainty is certain" and etc. Within Globetronics, while we would not claim to be champions in managing change (or volatility) and uncertainty (or poor visibility), I do believe that through the past many years of perfect role-modelling and grooming by our outstanding CEO, our well-aligned and well-tested winning workforce are now confident and resilient enough to excel in the most challenging and demanding business environment that our Group operate in. Our Group have consistently been able to proactively re-invent ourselves to stay relevant and competitive by successfully co-developing and manufacturing a myriad of new generation technology products/components in time or ahead of the needs of our world renowned customers, while achieving total customer satisfaction in quality and delivery despite unprecedented demand-volatility and poor-visibility unheard of before.

As we are starting to approach a saturation point in smart devices growth rates, many opportunities still abound through the proliferation of Internet-of-Things ("IoT") where sensors and IoT-systems are the catalyst of applications that capitalize on the technologies' ability to scale geographically. New generation technologies like Virtual Reality ("VR"), Artificial Intelligence ("AI"), Augmented Reality ("AR"), autonomous or self-driving cars, drones, biomedicine/bio environment products, etc are relatively in their early stages of introduction to our daily lives but with the roll out of 5th-Generation Wireless Communication ("5G") technology, would rapidly speed up connectivity and allow device to device "linkages", which in turn would require many more sensors to create this linkage, as illustrated in the following illustrations that show convergence of technologies driven by IoT:



Source: IHS Markit 2018

IoT adoption gaining momentum				
	2016	**2017**	**2018**	**2030**
IoT units installed base - total (m)	**6,382**	**8,381**	**11,197**	**125,000**
Consumer devices (m)	**3,963**	**5,244**	**7,036**	**75,000**
Consumer devices as a % of total devices	**62%**	**63%**	**63%**	**60%**
Connected devices per person	**5**	**5**	**5**	**5**
World population (m)	**7,400**	**7,600**	**7,700**	**8,500**
IoT adoption rate	**11%**	**14%**	**18%**	**176%**

Source: DBS Asian Insights, Internet of Things June 28 2018
(m) denotes million

The IoT is one of the most important and promising technological topics today. Some market researchers estimate that there are more than 20 billion connected devices and counting. Around us, there are smartphones, wearables, and other devices, where a typical smartphone uses more than 10 sensors. In IoT, sensors monitor our health status (e.g. a heartbeat), air quality, home security, and are widely used in the Industrial IoT to monitor production processes.

With our expertise in sensors and a strong exposure as percentage to our revenue, we would look to tap into this strength of ours to manufacture the latest components with our leading in class global customers to further provide new products and applications to the global population.

Our new product introduction ("NPI") team has in its pipeline new products or components in their various stages of mass production which include next generation sensor products and bio environment sensor, 5G related components and 3D components for a niche industry, etc. We are confident that as the world continues to embrace technology, we would continue to play our important and integral part in being the reliable manufacturing partner to our world-renowned customers in bringing new products to the market.

Management Discussion and Analysis by the CEO

Our team had done an outstanding job in fulfilling all customer-orders with 100% on-time-delivery record in the midst of unprecedented demand-and-delivery swings. New product developments are going well and those moving into various stages of qualifications include next generation sensor products and bio environment sensor, 5G related components and 3D components for a niche industry.

FY2018 was a year of reaping the fruits of our harvest. After spending more than RM100 million in CAPEX in FY2017 and relentless efforts in bringing our NPI into mass production, we saw some good results with our light sensors ramping up nicely in second half ("2H") 2017. While we expected the momentum to continue into first half ("1H") 2018, there was some supply chain inventory adjustments and an expedited generation upgrade of the light sensors which resulted in low volume loadings for a few months. I am glad to report that despite all these challenges, it was another successful year for the Group, closing with revenues of RM328 million and a net profit of RM70.1 million, representing a 8% and 37% increase over FY2017 numbers.

As the result of successfully developing and ramping new light-sensors and gesture-sensors that were designed-in by our end customer as standard features in our customer's newly launched devices and accessories since last year, our success as a key supplier and co-development business partner became our most outstanding accomplishment for our Group. We have also been delivering total customer satisfaction in quality and delivery despite unprecedented demand-volatility and poor-visibility in product loadings. Our massive CAPEX investment of RM107 million in FY2017 and RM35 million in FY2018 to support our new sensors manufacturing and development have proven to be strategic with excellent ROI for our Group.

In the midst of various new product start-ups and steep production ramps, our Operations teams have continuously and successfully developed and pursued new co-developmental and diversification businesses with encouraging foundation laid for FY2019 and beyond. Some of the new developments that are moving into various stages of qualifications include next generation sensor products and bio environment sensor, 5G related components and 3D components for a niche industry.

GLOBETRONICS SDN BHD/GLOBETRONICS MANUFACTURING SDN BHD/ GLOBETRONICS (HK) LIMITED

Our Group's sensors division excelled in FY2018 as we continued to build on the breakthrough of FY2017's qualification of new products. While short product life cycles and upgrades are expected in the industry, the upgrade to the next generation sensors was quicker than normal, happening in Quarter 1 2018. The result was having a severe volume drop from March to May 2018 period when the products were transitioning, while at the same time having to strike a fine balance of maintaining resources and relentlessly containing costs as we await the ramp up of the next generation starting in June 2018. While this was happening, we also had to construct a new production floor on top of our existing building to cater for new equipment coming in as our sensors line was full. The first phase was completed in July 2018 to cater for the new equipment while the remaining phases of the construction were completed only end of 2018, which then provided us additional manufacturing space of 25 thousand square feet that would be the commitment to our customers for new projects that would commence in FY2019.

Management Discussion and Analysis by the CEO

(cont'd)

The gesture sensor for the wireless accessories have seen very stable volumes and proceeded to see a further spike up in volume of more than 50% during the year. Our customers have indicated further strong upside potential for these volumes in FY2019, and we may have to invest additional CAPEX to cater for the additional volume growth.

For existing and matured sensor operations, the proximity sensor volumes have dropped significantly and were negligible from 2H 2018 as new phone models are launched and new technology is introduced. The motion sensor shows strong and stable volume as the new product of the end customer is doing well in the market.

Our wafers and optical lens processing segment did not do well and experienced soft loading throughout FY2018. Soft demand from our customers and tariffs imposed from the US-China trade war resulted in volatile loadings and volumes grinding lower over the year.

Our team had done an outstanding job in fulfilling all customer-orders with 100% on-time-delivery record in the midst of unprecedented demand-and-delivery swings as dictated by our most important and yet uncompromising customer.

GLOBETRONICS (KL) SDN BHD ("GKL")

FY2018 must rank the toughest and most challenging year for GKL due to the relentless price erosion and cost reduction demands from our customer as it seeks to fend off competition that is taking its market share in the timing devices segment.

The change in a new government for Malaysia has seen the fulfillment of one its election promises on increasing the minimum wage. Minimum wage in Malaysia has gone up from RM1,000 to RM1,100 in January 2019, and is set to increase to RM1,500 over the next few years. Our operations in KL also happen to be one of the most labor intensive in the Group. GKL would face the non-ideal situation of having to fulfill the customer's cost down request while at the same time grappling with cost increases arising from the minimum wage rise. As a result, we have mutually agreed with our customer to transfer out some of the product lines from GKL starting from 2H 2018.

Going forward, we would do a business evaluation process on all our GKL lines to realign our business portfolio so as to anchor ourselves into the future by actively pursuing new businesses that are non-labor intensive and of new technology.

ISO TECHNOLOGY SDN BHD ("ISO")

It was a relatively flat year for ISO in terms of financial performance but with breakthroughs in new product introduction. The LED business division saw growth from the fibre optics related product and also a stable contribution from the niche general lighting product.

The breakthrough for ISO came in the form of the successful qualification and mass production of the automotive headlamp which started mass production in October 2018. This was after more than 2 years of cumulative hard work where many samples, prototype builds, process design and redesign hand carry evaluations were carried out before the mass production was eventually successful. With this breakthrough, the automotive headlamp module that we manufacture would see us now having an exposure to the coveted automotive segment of premium car models.

The next step for us would be to continue working with our customer to stabilize and expand our production base, as well as to work on reducing the cost of production.

In terms of the bio environment sensor, we are making progress with our customers, moving into prototype and sample builds with a potential mass production expected by 2H 2019.

Management Discussion and Analysis by the CEO

(cont'd)

Prospects

We are cautiously optimistic of our prospects for FY2019 and beyond. Progress continues to be made on our light sensors where we are expected to build a new generation this year, and expectation is that it will be adopted into the smart device of our customer by 2H 2019.

For gesture sensor, we continue to see solid demand in our loadings as the end product of wireless device is gaining traction in the marketplace. The sensors are expected to see another sizeable jump in loadings starting in Quarter 2 2019.

Our automotive headlamp product has gone into mass production and its process and yields are stabilizing well, meaning we should be ready to install new capacity in 2019. Our customer is working to further diversify its applications to further expand its demand base.

The looming arrival of 5G would also open the doors to many new applications and enabled the connectivity of many devices, mainly through sensors where we have a strong exposure. IoT, AR, VR, autonomous driving etc. are inching more towards reality and not just buzzwords, and for our side, we are also positioning ourselves for the potential growth in these many exciting areas.

We are also optimistic with the other new projects and new customers. The qualification plan is progressing well and is on track for mass production by last quarter of 2019.

Risks

The most uncertain factor affecting the mood globally would be the US-China trade war. While the trade war had not impacted our operations directly in any way, the uncertainty has caused a hit to consumer demand as well as delayed business investment decisions, resulting indirectly in a slowdown in volume loadings across most of our product lines. The end customer of our sensor products have lowered guidance on the volume shipments since Quarter 4 2018, and the ripple effect is being felt across the supply chain. During this time, we would have to manage our operational costs very closely as resources would have to be retained for a potential steep ramp from June 2019 onwards as the end customer prepares for the customary product launch in the second half of the year.

The quartz crystal timing device business would cause a near term impact to our revenue growth as we readjust our portfolio to phase out some of the lines due to price erosion and the high labour content elements exacerbated by the increasing wages in Malaysia. This adjustment is expected to be completed by March 2019 and thereafter some manufacturing space would be available for us to pursue new higher value added, less labor intensive and more margin accretive products to rebalance our business portfolio. Two discussions are in progress, if successful, the space will be occupied by 2H'19.

Due to the uncertain global economic outlook and the current volatility in near term forecast, we have adopted a very cautious approach on all new CAPEX investments. We have stepped up certain aspect of customer commitment and assurance before each new investment. This win-win approach will help to ensure our strong record of effective CAPEX return and protection.

Volume and forex push Globetronics profit higher

Company attributes fine results to mass production of new products

STARBIZ, MONDAY 17 DECEMBER 2018

CEO: Globetronics poised to record double-digit growth

Heng expects strong sales of products in export markets

Heng: Based on the orders for the smart and optical sensors and timing devices that were shipped out, this year's results could be one of the best in the group's history.

赢得新合約 感應器增產

東益重估有望

企業焦點

10月开始生产雷射灯

客户赢得小米订单

http://www.kwongwah.com.my/?p=545252

15/07/201815:00

王合利（右1）、所罗门（右2）和洪良和（左1）

Globetronics earnings soar

Improved volume loadings of products push net profit up 64%

PETALING JAYA: Globetronics Technology Bhd has regis... to RM23.6mil ... 30 from the ...

Globetronics eyes double-digit growth

Group plans to invest RM60mil to expand its bio-sensor business next year

Globetronics stays optimistic in the face of headwinds

Sustainability Statement

Globetronics strives to be a reliable and competent manufacturing partner to our world renowned customers in bringing the latest technological components and applications into smart devices to improve the lives and connectivity of global consumers. As a homegrown Malaysian company, Globetronics is committed to play our part in making sustainability a part of our organizational values in evaluating our business strategies and decisions. We believe that striking a balance between achieving operational profitability whilst simultaneously focusing on the economic, environment, social ("EES") criterias are essential elements in enabling our company to succeed now as well as into the future.

Being a high technology manufacturing company, some of the key material matters for us would include the welfare of our employees, our procurement practices in supporting the local supply chain, manufacturing excellence and practicing the 3R's (Reduce, Reuse, Recycle) in our business operations.

The Board leads the Group in embedding sustainability as part of our business strategy going forward. The Group has a Sustainability Policy in place to govern the way we do business and a copy of the Sustainability Policy is available for reference at the Company's website *www.globetronics.com.my*.

Scope of Report

The scope of the Sustainability Statement covers the period from 1 January 2018 to 31 December 2018. The policies and strategies discussed in the report apply to all subsidiaries within the Group save for Globetronics International Incorporated (foreign investment holding company), Globetronics Industries Sdn Bhd (dormant company), Globetronics Medical Technology Sdn Bhd ("GMT") and NGK Globetronics Technology Sdn Bhd (Associate Company with < 50% stake).

Sustainability Governance Structure

The drive to initiate and embed sustainability into our business strategies is led by our Board of Directors, who play a critical role in continually establishing and formulating new business strategies such as sustainability and the enterprise risk management ("ERM") framework to ensure that the Group remains proactive and dynamic in dealing with the constantly changing global environment to succeed now as well as into the future. The Board is supported by the CEO and ARMC in providing guidance and implementing policies to ensure that Group assets are protected and the sustainability and risk governance issues are proliferated across the subsidiaries in the Group.

The Business/Operations Risk Review Committee ("BORRC") would implement the business strategies that ensures the sustainable performance of the Group economically through the implementation of manufacturing excellence, new product introduction, supply chain management and data integrity/security. The activities and proposals from business units are actively monitored through daily updates, bi weekly managerial meetings as well as detailed monthly business review where strategies and decisions are evaluated to ensure that they are in line with the Group's vision and direction.

Another enhancement for Year 2018 is the re-designation of our Environmental, Health and Safety ("EHS") steering council into Environment, Social and Governance ("ESG") committee that will have a more holistic coverage to ensure smooth facilitation and embedment of sustainability into the key activities of the Group. The ESG committee is headed by the CEO, business unit leaders and key management personnel and meets once a month to present indicators such as energy usage, emissions, safety as well as propose environmental and social projects to be carried out within the Group.

SUSTAINABILITY GOVERNANCE STRUCTURE

Stakeholders Engagement and Prioritization

Stakeholders represent the diverse group of parties that have a degree of interest and influence on the Group and the way it operates. Globetronics is committed to regularly engage with its key stakeholder base that include customers, employees, government, regulators, investors, media and our Board to find out issues that concern them and to build a balanced, holistic business strategy that is incorporated based on the prioritization of the respective stakeholders. Some of our key stakeholders and the type of engagement we have with them is summarized as below.

Stakeholder Group	Type of Engagement	Sustainability Concerns
Customers	• Dialogue/Conference Calls • Status Updates and Operational Presentations • Line and Systems audits • Customer Visits	• Competitive Prices, Quality, Yield • Customer Satisfaction • Timely Introduction of New Products to Marketplace • Data Integrity and Security • Procurement Practices
Board of Directors	• Board Meetings • Audit Committee Meetings • Other Committee Meetings	• Revenue and Profit Growth • ROI and Capex Protection • Customer Satisfaction • Optimum Resources Allocation • Compliance to All Relevant Regulations • Senior Management Succession Planning
Employees	• Health and Safety Talks • Open Forum and Suggestion Box • Volunteer and Recreation Programs • Annual Appraisal	• Reward and Compensation Packages • Career Path Planning and Training • Safe and Healthy Working Environment
Investors	• Quarterly Results Briefing • Roadshow and Non-Deal Roadshows • Investor Conferences • Annual General Meetings • Media Interviews and Articles	• Continuous Revenue and Profit Growth • Short Product Lifecycles • Good Dividend Payout • Customer Concentration Risk • Good ESG Practices as New Investment Criteria–Carbon Footprint and etc.
Regulators	• Air, Water, Emissions Compliance and Report Submissions • Scheduled Waste Disposals • Survey, Statistics Requests by Regulators • Quarterly Announcements	• Adherence to Law and Regulations • Corporate Governance and Compliances

IDENTIFYING SUSTAINABILITY MATTERS

Key Sustainability Matters Identified

Key Stakeholders and Prioritization

1. Customers
2. Employees
3. Board of Directors
4. Investors
5. Government/ Regulators

Materiality Assessment and Matrix

Theme and Indicators

Scope and Boundary: All Operations

Economic:

1. Revenue and Profit Growth
2. Manufacturing Excellence and Continuous Improvement
3. Procurement Practices
4. Reduce, Reuse, Recycle ("3Rs")
5. Data Integrity and Cybersecurity

Environment:

1. Energy Efficiency-Solar Energy
2. Waste Management and Emission
3. Caring for the Environment-Recycling

Social:

1. Employee Welfare and Safety
2. Human Capital Development
3. Workforce Diversity
4. Social Contributions and Community Projects

Materiality Assessment

Our materiality assessment process is done through our evaluation of various stakeholders' engagement throughout the year, peer comparison reviews and cognizance of the current economic, environmental as well as social trends both locally and globally. On top of this, there is a continual scanning of the business environment done to ensure that we stay on top of the business risks and opportunities that abound as a result of the rapidly changing global environment. This would surmise to determine the key material matters that would impact the Group and stakeholders based on our interaction with stakeholders and from internal discussions in the ESG Committee. Some of the key sustainability matters identified by the Group are detailed below.

ECONOMIC

Revenue and Profit Growth

Over the years, we have constantly evolved to fit and meet the ever changing requirements of the customers due to the robust business environment. While it is not easy, we are humbly pleased to report that we have been profitable every year since we commenced business in 1991 and would strive to do so for the coming years through timely introduction of new products to market place, product diversification and new business opportunities.

As product lifecycles become shorter due to the rapid technological advancements, the ability to introduce new products to the marketplace in a timely manner has become a very crucial key to success. Our business model is increasingly skewing towards the co-development of new components/products with our customers, that upon mass production, will be a totally new introduction to the market. At any point in time, we have multiple products that are progressively in development stage waiting to be adopted by the customer and market place that will lead to mass production.

The new products we have successfully qualified and started mass production in 2018 are :
1) Light sensor Gen 2 to be designed into the latest smart devices; and
2) Laser light components to be used in headlamps for premium European automobile.

We also have multiple products that are moving into various stages of qualifications, which include next generation sensor products and bio environment sensor, 5G related components and 3D components for niche industry. These are important aspects of our business diversification process where we actively pursue new business opportunities to diversify our customers as well as product base on a continual basis.

New business opportunities are evaluated and assessed on a thorough basis by BORRC and the Board. All CAPEX spending is justified using ROI and taking into consideration the position of all stakeholders of the Group.

Manufacturing Excellence and Continuous Improvements

Globetronics puts emphasis on manufacturing excellence at all times, to ensure that all our lines and processes are benchmarked and meet all globally defined manufacturing standards. This is done through regular internal line audits, external audits by independent auditors for quality standards, as well as ongoing customer audits to ensure that our operations comply with all requirements and have continuous improvement plans for our manufacturing lines.

The Group has over the years put in resources to reduce the use of paper in our operations. Our subsidiary company GMT had come up with our own Enterprise Business Operating System ("ebizOS") system whereby our main business functions are interconnected through this feature.

We have expanded our manufacturing capabilities over the years from copy exact type of contract manufacturing work to today where we play a key role and a co-development partner in coming up with manufacturing processes for new products/components that are scheduled to hit the marketplace. Our manufacturing capabilities now include wafer level packaging and flip chip processes for the more advanced components in the market place, wafer saw and sorting for advanced LED products and in the process of qualifying new components for the sensors, smart devices, IoT, health and automotive sectors.

Automation has also been a focus area for us in the last few years. We had implemented automation in our KL operations on a phase by phase basis, with Automated Optical Inspection ("AOI") machines taking over the more labor intensive and strenuous back end manual inspection processes. Our new sensors projects had also implemented AOI, therefore the Group is serving the dual purpose of reducing the manual portion of the operator's job and also in supporting the local supply chain by purchasing the AOI machine from local suppliers.

As part of our commitment to our customers in allocating resources for future growth, we had invested in expanding our manufacturing floor space by adding approximately 25 thousand square feet through the adding of an additional level on top of our existing Penang factory building in the Phase 4 of the Free Industrial Zone. The space was originally an open air car park. We managed to add this space during a short period of time from May to December 2018 and are now ready for the next phase of growth when our in development products are ripe for mass production. The new facility is well equipped with a new walkway, material flow passage for linkage between the old and new production floors.

Procurement Practices

We extend our best business practices into our supplier chain as well with our suppliers aligning to our core values through the signing of a supplier's Code of Conduct. The Code of Conduct requires the suppliers to meet our requirements in the following areas:

Suppliers are expected to conduct a self-assessment to ensure they are in compliance to these requirements. They are also measured under a Supplier Rating and Ranking system using QCDS (Quality, Cost, Delivery, Service) to ensure that Globetronics consistently has a reliable and reputable supply chain to provide the best service and support to our customers.

Being a niche player in the technology space and as part of the global supply chain, we understand that Malaysia has its own competitive advantage with its diverse range of technology companies providing complementary services to big global customers. As these multinational customers have been in operation for many decades, they also have established systems, processes and suppliers whom they work with.

For our part, where possible, we are trying to localize some of the procurement sources. The key area where we have made inroads so far are in sourcing AOI and automation machines from local Malaysian companies when we automate our current production processes or set up new manufacturing lines.

Our procurement practices also play a key role in maintaining the competitiveness of our products in the supply chain. There is a continual effort to find suitable, sustainable and cost competitive materials to complement our product improvement programs as part of our value added solutions to the customer. An example of this would be our supplier bidding program where suppliers bid and are selected after going through the evaluated indicators of cost, delivery, service, regulation compliance/licenses and etc.

Project: (Reduce, Recycle and Reuse) - ("3Rs")

For Globetronics, the 3Rs are one area where sustainability is a material matter to us. This stems from the fact that we are doing high volume manufacturing, and the potential for waste from material usage to the environment is high.

The initiatives we undertook would serve to have multifold effects, by ensuring our businesses are operating at optimal levels through the efficient use of our resources while at the same time prolonging our equipment and materials from hitting the environment as scrap earlier.

To drive business sustainability, we have embarked on the following initiatives as part of our 3Rs drive in 2018:

1. SMT Hi Temp Tape Usage Reduction
Description : Tape used for mounting process was reduced by moving the cutter closer to the ring by approximately 1.5 inches. Saving achieved by this process improvement is the equivalent of 262 rolls of tape for the year.
Savings = 262 rolls

2. Blade Extension
Description : Blades used for sawing were subject to an improved dressing method that resulted in better sawing quality that prolongs the blade life. The enhanced dressing method would result in a savings of 969 blades for the year.
Savings = 969 blades

Data Integrity and Cybersecurity

Data integrity and cyber security has become an increasingly important aspect of business operations. This is especially evident in view of the escalating cases of accounting fraud/ scandals globally as well as the recent ransomware virus attack.

The ransomware virus attack had also exposed the vulnerability of many firms globally to cyber attacks. Whilst no system is fool proof against these attacks, Globetronics is continually monitoring and implementing all the necessary anti-virus programs and firewalls to secure our data. Being part of the global supply chain for components in key electronic devices, Globetronics needs to ensure a reliable and accurate live tracking of its data to ensure uninterrupted delivery of its production lines.

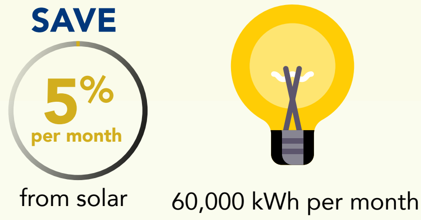
For Year 2018, we have begun to re-evaluate the adequacy of our IT systems in terms of software, hardware and server requirements. The review has indicated that some areas require enhancements to be able to meet the stringent requirements of our customers in capturing important data and running some of the latest manufacturing applications. As such, we have embarked on hardware and software replacement cycle for our Group which would be done in phases, with the first phase of hardware, software and servers replacements completed in end 2018, and to be followed through additional phases in 2019.

ENVIRONMENT

Energy Efficiency-Solar Energy

Development of sustainable energy initiatives have been one of our Group's key focuses particularly in the reduction of electricity consumption via the installation of solar panels on the rooftops of our building sites. We have now officially signed an agreement to install solar panels on all the buildings of our Penang factory premises in Phase 4 of the Free Industrial Zone. The solar panels are negotiated on a lease agreement, where the panels belong to the installer and for our side, there would be zero investment costs and maintenance fees while securing a rate lower than the current TNB rates for the energy produced by the panels. Installation works began in December 2018 and are expected to be completed by May 2019. The solar panels are expected to contribute about 5% per month (approximately 60,000 kWh per month) of our total energy requirements, with the ability to switch to normal power supply mode during non-active periods at night.

SOLAR PANEL INSTALLATIONS



CO2 reduction per annum = 533 tons

Waste Management and Emissions

At the Group's various plants, we ensure strict compliance with the environmental laws governing plant operations and maintenance in areas relating to environmental standards, emission standards, noise level management and treatment of plant effluents and waste water. As part of our corporate responsibility agenda, we have measures in place to minimize the adverse impact on the environment and to achieve continuous improvement of our plants/factories' environmental performance.

Water used for our manufacturing sites form a crucial part of the process for most of the production lines, as unclean water can cause high particle counts that disrupt the ability to produce a quality product. As such, we have in place the proper filtration and distilling equipment to ensure high quality water supply to our lines at all times. Industrial and sewage effluents are measured against a range of parameters to ensure that is compliant to all industrial standards. Scheduled production shutdowns (to improve UPH) and regular preventive maintenance are performed on facilities chiller, cooling tower, strainer, vacuum, transfer pump and circulation pump to the reduce usage of water.

Sustainability Statement (cont'd)

A new program we have also instituted in one of Penang subsidiaries is the implementation of manual push button type of cistern for male toilet urinals instead of the continuous flushing of water at male toilets urinal stand. This implementation is expected to reduce water usage by 5,516 m3 per year.

Scheduled waste management programs are also in place with a waste code list measured and submitted to the Department of Environment ("DOE") on a monthly basis. The following is a summary of the waste disposal activities carried out by the Group.

Description	2016 (kg)	2017 (kg)	2018(kg)
Disposed containers, bags, or equipment contaminated with chemicals, pesticides, mineral oil or schedule wastes	2,370	6,615	7,709
Rags, plastics, papers or filters contaminated with schedule wastes	1,866	2,167	2,522
Waste containing mercury or its compound	62	55	68
Waste from electrical and electronic assemblies containing components such as accumulators, mercury-switches, glass from cathode-ray tubes and other activated glass polychlorinated biphenyl-capacitors, or contaminated with cadmium, mercury, lead, nickel, chromium, copper, lithium, silver, manganese or polychlorinated biphenyl (SW110) –	58	67	194
Sludges containing one or several metals including chromium, copper, nickel, zinc, lead, cadmium, aluminium, tin, vanadium and beryllium	387	759	–
Waste of non-halogenated organic solvents	12,911	5,146	3,189
Spent lubricating oil	102	165	123
Spent hydraulic oil	3	200	200
Uncured resin waste containing organic solvent or heavy metals including epoxy resin and phenolic resin (SW325)	–	–	52
Total	**17,759**	**15,174**	**14,057**

Industrial scraps and salvageable material are either sold to licensed scrap vendors or recycled/reused in the production lines to minimize waste to the environment.

For the areas where air quality is concerned, they are measured on a periodic basis and include the areas of generator set (emission of solid particles within stipulated limit), gas and piping maintenance to ensure no leaks and compliance to environmental standards. All our operations are compliant to the Standard "C" limit in the Environment Quality (Clean Air), Regulation 1978, Part V, Air Impurities No.27 where hazardous gasses are present. Below are some of the data on gas emissions for FY 2018 :

Type of Hazardous Gasses	Unit	Air Impurities Concentration	Remark
Formic Acid	mg/Nm3	ND (<0.5)	Not detected
Nitric Acid	mg/Nm3	ND (<0.1)	Not detected
Sulphuric Acid	mgSO3/Nm3	ND (<0.2)	Not exceeding
Phosporic Acid	mg/Nm3	ND (<0.5)	Not detected
Acetic Acid	mg/Nm3	ND (<2.3)	Not detected
Methanol	mg/Nm3	ND (<4.7)	Not detected

For energy reduction, we have implemented the Intelligent Flow Controller ("IFC") to the air compressor systems of most of our subsidiaries and for our new projects, the chiller systems that we are installing would also be of the energy efficient variant. Other activities include preventive maintenance of facilities equipment, installation of stabilizers on air compressors and scheduled shutdown of operations to reduce electrical usage. These activities have resulted in an electrical energy reduction of about 7% below the theoretical usage in Year 2018 had these activities had not been implemented.

Currently, all our Penang manufacturing factories are certified to the international environmental management systems standard, ISO 14001.

Overall, we have improved our environment management to be more focused in 2018. The key indicators of electricity usage, CO2 emissions and water consumption are now reported in the monthly ESG meeting. Activities undertaken and programs introduced to reduce usage of the key environment elements are also presented here.

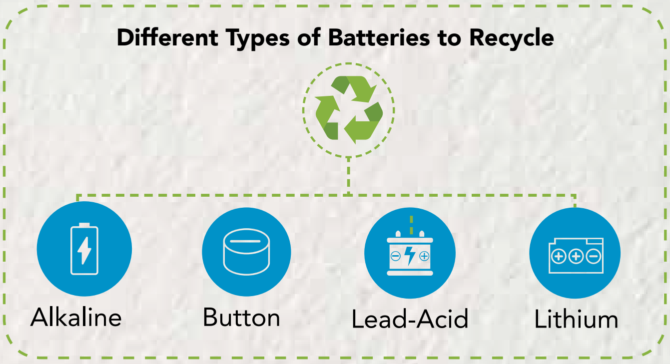
Caring for the Environment-Recycling

The following recycling projects were created with the aim to reduce the harmful effects to our environment which had been set up among the various subsidiaries within the group.

Project: Recycling of batteries

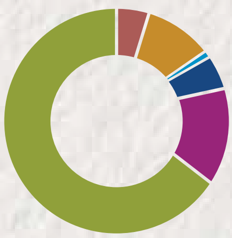
Description: Set up employee program to dispose of batteries. Improper disposal of batteries are harmful to the environment as they contain materials like mercury and lead that can cause the emission of greenhouse gasses as they decompose in landfills. A collection centre was set up in one of our subsidiaries (ISO) and employees are encouraged to bring their dead batteries for disposal. Shipments have been arranged 2 times per annum to pick up these batteries for proper disposal.

Recycled amount : 197 pieces/23.5 Kg



Project: 3R Program (Reduce, Recycle and Reuse)

Description: Set up program to dispose of recyclable waste such as plastic bottle, can, paper. For certain waste such as empty carton, lead frame, tray, empty spool and wooden pallet are returned to supplier or recycle internally. Tray and metal ring are recycled through established cleaning process. Recycling helps to reduce energy usage, reduce the consumption of fresh raw materials, reduce air pollution and water pollution (from land filling) by reducing the need for "conventional" waste disposal and also reduces greenhouse gases emissions.



Metal Rings	74,536 kg
Plastic Bottle, Can and Paper	3,889 kgs
Empty Carton	8,685 kgs
Polyled Lead Frame Tray	180 kgs
Wooden Pallet	5,340 kgs
Tray	15,825 kgs

Project: Recycling of paper/mineral water bottle (plastic)

Description: GSB has set up a program to encourage employees to recycle paper/mineral water (plastic) to help in conserving the environment while contributing to the underprivileged. Plastics are one of the major items that is degrading the global environment and we are happy to be able to play our small part in recycling these items. All recycled items are collected and contributed to SIMA Handicapped Centre, as part of our social contribution to the local community by helping them financially in this area. Recycle bins are provided at designated factory areas to conveniently enable contributions from employees.

Total collection: 36,936 kgs contributing to RM13,232

Project: Tree Planting

Description: We have set up a tree planting activity in ISO that is carried out fortnightly on Friday at 7am-9am. The program is set up to create awareness to our employees on the importance of green lungs in urban areas and how to help care for the environment. The gardening activities are expected to reduce carbon dioxide emission in the factory compound, and study shows that as a tree matures (12-24 meters), it can consume 21.8kg of CO_2 per year as it turns that CO_2 into parts of itself. Estimated 1 meter tree can absorb 0.91kg of CO_2 per year, where we have 28 trees of this category.

Estimated CO_2 reduction : 25.4 kgs

▲ Sponsoring Our Employees to Participate in Sporting Activities.

SOCIAL

We have a total headcount of more than 1,700 employees in our group. As a niche player in the very competitive technology industry, being a responsible and caring employer to our very important assets, our employees, remain one of our key priorities. We strive to provide a safe, conducive and growth environment for everyone of our employees and this can be tracked through the various indicators listed.

Employee Welfare and Safety

We strongly believe that human capital is the most important value to an organization. To ensure a safe and healthy working condition for our employees and support workers, the Group has developed guidelines to safeguard employees in all of its business operations. Our Environmental, Health and Safety ("EHS") team which is a part the ESG Committee ensures that health and safety policies are effectively implemented and continuously improved. Our EHS management system are reviewed against international best practices and updated from time to time.

To safeguard employees and instill the values and knowledge essential to a safe and healthy workplace, we continuously undertake first aid training, health talks, fire drills and plant evacuation exercises. All safety incidents are shared in the ESG Committee to ensure no recurrence occurs, and key learning of new safety implementations are also shared. There were 2 fire incidents during FY2018, one caused by the negligence of a canteen worker and one was smoke detected by an operator on an equipment that was quickly put out. Cause of incidents and action plans to ensure no recurrence for both cases were shared in the ESG meeting. At the Group's manufacturing locations, we have continued to ensure that equipment and building systems are functioning properly and are well maintained.

EHS Indicators	2016	2017	2018
Factory Accident	–	1	1
~ Fatalities (Cases)	–	–	–
~ With Man-Hour Lost (Cases)	–	1	1
~ Without Man-Hour Lost (Cases)	–	–	–
Near Miss Accident	–	–	–
Safety Violation	–	–	–
Fire Incident	–	2	2
Faulty Fire Alarm	–	–	–
Nature Environmental Impact	–	–	–

We had converted our top of the building open air car park into production space in Year 2018, and as a commitment to wellbeing of our employees, we had replaced with an near equivalent number of carpark lots on the ground level of our factory building. It thus reduces very much the inconvenience of having to find parking in the limited spaces outside our factory building. During this time, our EHS team worked extremely hard with all stakeholders and zero safety incidents goal was achieved during the construction period.

Fostering better ties with our employees and improving their quality of life are areas that have continuously been given importance in the Group's corporate responsibility initiatives. Activities carried out include medical health screening and awareness programmes and recognition of long service. We continue to promote healthy lifestyles and team cohesiveness by sponsoring free courts and consumables for our employees to participate in sporting activities, and have hired professional instructors to conduct exercise lessons for our employees after office hours as well. In terms of working flexibility, we have introduced time off programs for employees who have to put in overtime during the periods when there are urgent requests by customers.

Employee recognition programs have also been put in place to reward key contributors through cash and gifts, and meal treats have been given out to all employees as a token of appreciation for their contribution and efforts.

Department outings or annual dinners are done on an annual basis to create closer bonding for our employees. For Year 2018, we held our annual dinner at Spice Arena where employees were treated to many special performances as well as getting many exciting gifts for the lucky draw.

Human Capital Development

One of our key corporate responsibility initiatives is the development of human capital as our employees are our greatest asset. The development is achieved through the implementation of various initiatives such as in-house cross training and employees' productivity improvement, building university relationships and encouraging workplace diversity. The ultimate aim of these objectives is the unity of all employees in striving for a common objective i.e. the success of the Group in terms of economic, social and environmental development. Our employee evaluation criteria have also been revamped over the years and we have put in place comprehensive evaluation systems that not only measure the hard skills but also the soft skills of employees like relationship building and charisma, to build them to be highly marketable in any industry.

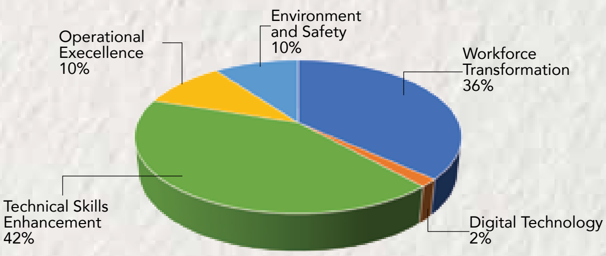
We have also committed to do a 100% appraisal of all employees on an annual basis to ensure alignment to company's key performance metrics and values, to provide career path guidance and to obtain feedback from employees on their view of the company. This commitment has been achieved in the current year as well as the previous 3 years, with appraisal criteria consistently being improved and matched to best industry practices. These appraisal sessions are also important as an avenue for identifying the right candidates to head the respective leadership roles with the Group.

In terms of nurturing future leaders, many programs have been put in place that include both general and specific targets of key employees at various levels in the Group. The leadership programs are conducted when there is a sufficient pool of identified candidates, some of the established programs we have conducted include the Leadership Development Program, Managerial Development Program and mini MBA.

We invested a total of 168 training programs and spent a total of RM172,000 for human capital development in Year 2018, with 1,952 training hours for 1,827 employees achieving the following:

- **60 new courses were conducted in 2018 in line with Government's directive in steering Malaysia towards Industrial 4.0 as well as to upgrade our people's competency levels to new products and technologies, focusing on 5 key areas as below:**

Five Key Areas of 2018 Training



Technical Skills Enhancement	42%
Operational Excellence	10%
Environment and Safety	10%
Workforce Transformation	36%
Digital Technology	2%

- **Key programs coverage %**
  Total Training Need Analysis ("TNA") identified 94 programs and Hit rate: 100% (94/94)
  Competent Person Training 12 course and Hit rate: 92% (11/12)

Workforce Diversity

Globetronics believes in tapping the resources of a diverse workforce that utilizes the unique gift of each individual. Presently our workforce is made up of multiple nationalities that include Malaysians, Indonesians, Filipinos and Nepalese. We are also proud to say our leadership is also balanced, with women making 31% of positions of manager and above.

Women Percentage	
Overall workforce	78%
Management	31%
Board	22%

Our recruitment process is based solely on merit and the qualification of the candidates, and our remuneration policy assures that no pay distinctions are made in regards to gender or ethnicity in all our subsidiaries.

Religious beliefs are respected and promoted with the celebration of the various cultural festivals in Malaysia together.

First Aid Training, Health Talk and Fire Fighting Training

Social Contributions and Community Projects

As a home grown Malaysian company, we are aware of how important it is to build up the local community and to provide opportunities for the upcoming generation to succeed. The focus of our social contributions is directed on the basis of achieving current impactful goals to community building and nation through the sponsorship of relevant initiatives and programs

▲ Sponsorship of Entire Renovation Cost to Repair the FIZ Police Station at Phase 4

▲ Coordination of Charity Sales for Sunrise Enterprise

▲ Cash Sponsorship to Penang STEM Carnival

▲ Donation to Penang Peace Run 2018

In 2018, we were actively involved and contributed in various community and education projects:

- Cash sponsorship **RM5,000** to Penang STEM Carnival to promote Science, Technology, Engineering and Mathematics among the school children and creating future talents
- Donated **RM10,000** to the organizer (jointly organized by SCI Malaysia and Penang State Government) of Penang Peace Run 2018 to promote peace and intercultural understanding.
- Coordinated the Charity Sales for Sunrise Enterprise, an NGO established to provide employment trainings to disabled persons. Total **RM500** was raised.
- Continue our close partnership with police force to prevention crimes especially in the Free Industrial Zone ("FIZ"). Sponsored the entire renovation costs to repair the FIZ Police Station at Phase 4. Total **RM20,000**.
- Sit in the Steering Committee to discuss and analyse the human capital issues within the electrical and electronics sector organized by MIDA.
- Hosted a visit by 10 Japanese bankers from Nanto Bank, Japan, who is a key investor of one of our customers.
- Accepted total 8 university students, including 1 Japanese student from Asia University, Tokyo, for industrial training placement.
- Globetronics Scholarship Award for 1 Malaysian student studying in Volgograd State Technical University in Russia. Total **RM60,000** sponsorship.

The other area of contribution by our Group mainly initiated by our CEO, would be in the area of corporate social works such as:-

1) Supporting our government agencies in promoting foreign investments into Malaysia;
2) Assisting and sponsoring local, small and medium industries along technologies growth; and
3) Promoting entrepreneurship within the Malaysia business circles by sharing our success stories in technology conferences or discussions (i.e. FMM SME Conference 2018)

Overall, we aim to bring a holistic approach in supporting our local community from the contributions to various local societal organizations, academia and even the police force to make the community we operate in a better place.

Audit and Risk Management Committee Report

From left: Ms. Lam Voon Kean, Dato' Syed Mohamad Bin Syed Murtaza, Ms. Ong Huey Min

The Audit and Risk Management Committee ("ARMC") of Globetronics Technology Bhd ("GTB") is pleased to present the Audit and Risk Management Committee Report for the financial year ended 31 December 2018 in compliance with Paragraph 15.15 of the Main Market Listing Requirements ("Main Market LR") of Bursa Malaysia Securities Berhad ("Bursa Malaysia").

ARMC was established to serve as a committee of the Board and is guided by its Terms of Reference in performing their duties and discharging their responsibilities. The terms of reference of ARMC can be viewed at the Company's website at www.globetronics.com.my.

COMPOSITION AND MEETINGS

ARMC members and details of attendance of each member at the ARMC meetings held during the year are as follows:

	Number of Meetings	
Members	**Held**	**Attended**
Dato' Syed Mohamad Bin Syed Murtaza Chairman/Independent Non-Executive Director	6	6
Ms. Lam Voon Kean Independent Non-Executive Director	6	6
Ms. Ong Huey Min Independent Non-Executive Director	6	6

Ms Lam Voon Kean and Ms Ong Huey Min are members of the Malaysian Institute of Accountants. The ARMC, therefore, meets the requirements of Paragraph 15.09(1)(c) of the Main LR which stipulate that at least one (1) member of the ARMC must be a qualified accountant.

COMPOSITION AND MEETINGS (cont'd)

Summary of the work of the ARMC
In line with the terms of reference of the ARMC, the work carried out by the ARMC in the discharge of its functions and duties for the financial year ended 31 December 2018 are as follows:

Financial Procedures and Financial Reporting
Reviewed the following Group financial statements and made recommendations to the Board for approval of the same:

Date of ARMC Meeting	Quarterly Results/Financial Statements Review
27 February 2018	Unaudited fourth quarter results of the Group for the financial year ended 31 December 2017
24 April 2018	Unaudited first quarter results for the period ended 31 March 2018
31 July 2018	Unaudited second quarter results for the period ended 30 June 2018
30 October 2018	Unaudited third quarter results for the period ended 30 September 2018

The review of the unaudited quarterly financial results to ensure the disclosures are in compliance with the Malaysian Financial Reporting Standards ("MFRS") 134–Interim Financial Reporting and latest requirement of applicable disclosure provisions in the Main Market LR.

The ARMC had also reviewed the audited financial statements of the Company and the Group for the financial year ended 31 December 2018 which covers the financial position and performance for the year and ensured it complied with all disclosures and regulatory requirements and recommended the audited financial statements to the Board for approval.

Internal Audit
- Reviewed and approved the internal audit plan;
- Reviewed and reported the adequacy of the scope, functions and resources of the internal audit function and that it had the necessary authority to carry out its duties;
- Reviewed the results of the Group's internal audit procedures and the adequacy of actions taken by the management based on the reports; and
- Reviewed any appraisal or assessment of the performance of the internal audit function and approved any appointment or termination of the internal audit staff.

External Audit
- Reviewed with the external auditors, the audit plan, scope of the audit and the areas of audit of the Company/Group;
- Reviewed with the external auditors, their evaluation of the system of internal controls and audit findings;
- Discussed problems and reservations arising from the audit and any other matters the auditors had wished to discuss;
- Reviewed the auditors' report;
- Met with the external auditors twice without the presence of Management to review and discuss on key issues within their duties and responsibilities. There were no major concerns raised by the external auditors at the meetings;
- Reviewed and reported the assistance given by the Company's/Group's Officers to the external auditors and the overall conduct of the audit;
- Reviewed and approved the audit and non-audit fees provided by external auditors. The amount of audit and non-audit fees are disclosed in the Additional Compliance Information on page 41;
- Assessed the independence of the external auditors and obtained written assurance from them stating their independence throughout the audit in accordance with all relevant professional and regulatory requirements; and
- Performed an evaluation on the suitability and independence of the external auditors. ARMC was satisfied the work performed based on the firm capabilities, professional team assigned, proposed methodology, independence and timeline. Accordingly, it had affirmed the suitability and independence of the external auditors and recommended to the Board to re-appoint KPMG PLT as the Auditors as well as proposed audit fees for approval.

Financial Reporting
- Reviewed the annual audited financial statements of the Company/Group and quarterly results of the Group, and thereafter submit them to the Board for approval, focusing particularly on:
  - Any changes in accounting policies and practices;
  - Significant adjustments arising from the audit;
  - The going concern assumption;
  - Significant and unusual events; and
  - Compliance with accounting standards and other legal requirements.
- Ensured publication of annual audited financial statements.

COMPOSITION AND MEETINGS (cont'd)

Risk Management

- Reviewed the adequacy and effectiveness of risk management and internal control systems instituted within the Group.
- Provided oversight and direction to the risk management process, specifically to:
  - ensure that appropriate risk management policies, guidelines and processes are implemented;
  - consider whether response strategies (and contingency plans) to manage or mitigate material risks are appropriate and effective given the nature of the identifiable risks; and
  - evaluate the risk profile and risk tolerance of the Group.

Related Party Transactions

Reviewed the related party transactions that had arisen within the Company or the Group and the disclosure of such transactions in the Annual Report.

Other Functions

Reviewed the Audit and Risk Management Committee Report, Statement on Risk Management and Internal Control, Corporate Governance Overview Statement and Corporate Governance Report in the spirit of the new corporate governance framework to promote greater internalisation of corporate governance culture and greater transparency before submitting for Board's approval and inclusion in the Annual Report.

Summary of the work of the Internal Audit Function

The ARMC is assisted by an in-house Internal Audit function in discharging its duties and responsibilities. The Internal Audit function reports directly to the ARMC. The Internal Audit function conducts regular and systematic reviews of the key controls and processes in the operating units of the Group and assesses compliance with the established policies and procedures. This provides reasonable assurance that such systems would continue to operate satisfactorily and effectively in the Group. In addition, the Internal Audit function also conducts investigations and special reviews at the request of the Management and ARMC.

On a quarterly basis, the Internal Audit function submits the audit reports on their activities to the ARMC for its review and deliberation. The internal audit findings are presented in the ARMC meetings and appropriate recommendations are made on any areas of concern within the Company and the Group for the ARMC's deliberation.

The following were the activities carried out by the internal audit function for the financial year ended 31 December 2018:

- Reviewed updated risk management framework that identifies principal risks within the Group and provided action plan to mitigate them in the context of customer exposure and operational efficiencies.
- Assessed Malaysian Financial Reporting Standards specifically MFRS 9, Financial Instruments, MFRS 15, Revenue from Contracts with Customers and MFRS 16, Leases that may have significant impact on the Group's financial statements for the year ended 31 December 2018.
- Reviewed the redemption or conversion of redeemable preference shares into ordinary shares of the Group/Company.
- Reviewed the proposed amendment of the Company Constitution of GTB, Board Charter and Remuneration Policy and Procedure for Directors and Senior Management before submitting for Board's approval.
- Assessed the implementation of Malaysian Business Reporting System ("MBRS") for the submission of Annual Return and Financial Statements under the Companies Act 2016.
- Internal audit review:
  (a) Reviewed and audited the store, logistic and purchasing functions in our KL operations;
  (b) Carried out audit and review of freight cost management, debtors and inventory aging for certain division of the Penang subsidiaries;
  (c) Reviewed on investment property valuation and ESOS valuation;
  (d) Reviewed and assessed cyber risk and cyber security of the Company and the Group; and
  (e) Reviewed and audited the internal control system on Information Technology ("IT") of the Company and the Group.

During the financial year ended 31 December 2018, the total cost incurred for the internal audit functions was RM175K.

COMPOSITION AND MEETINGS (cont'd)

Training Attended by the ARMC
For the year under review, the ARMC attended the following conferences and seminars:

Name of Director	Conference/Seminar/Workshop	Presenter/Organiser	Date
Dato' Syed Mohamad Bin Syed Murtaza	MFRS 15 - Revenue (Updates) and MFRS 9 - Financial Instruments	In-house	24-Apr-18
	MFRS 16 - Leases	In-house	31-Jul-18
	Global Harbour Cities Forum – Kaohsiung Taiwan	Economic Development Bureau,Kaohsiung City Government	25 to 27-Sep-18
	Anti-Corruption Summit 2018	Aram Global Sdn Bhd	30-Oct-18
	Kuala Lumpur International Automotive Conference 2018	Asian Strategy & Leadership Institute	21 to 22 Nov-18
	Budget 2019 Highlights	In-house	18-Dec-18
Ms. Lam Voon Kean	MFRS 15 - Revenue (Updates) and MFRS 9 - Financial Instruments	In-house	24-Apr-18
	Hong Kong IPO for Malaysian Enterprises Conference- Hong Kong Capital Markets Analysis and IPO Practices	Yuanta Securities (Hong Kong) Co., Ltd	17-May-18
	MFRS 16 - Leases	In-house	31-Jul-18
	Case Study Workshop for Independent Directors "Rethinking- Independent Directors: Board Best Practices"	Securities Industry Development Corporation (SIDC)	5-Sep-18
	Introduction to Malaysian Business Reporting Standard (MBRS)	In-house	30-Oct-18
	Budget 2019 Highlights	In-house	18-Dec-18
Ms. Ong Huey Min	MFRS 15 - Revenue and Contract from Customers and Accounting Standards Updates	Trainmode Sdn Bhd	28 to 29-Mar-18
	Tax Audits and Investigations - Issues, Strategies and Appeals	Chartered Tax Institute of Malaysia	12-Mar-18
	Malaysian Code on Corporate Governance and Bursa's Listing Requirements - Application, Disclosure and Reporting Expectations	SIDC	13-Mar-18
	MFRS 15 - Revenue (Updates) and MFRS 9 - Financial Instruments	In-house	24-Apr-18
	MFRS 16 - Leases	In-house	31-Jul-18
	Managing Tax Investigation and Tax Audit	Chartered Tax Institute of Malaysia	27-Aug-18
	Introduction to Malaysian Business Reporting Standard (MBRS)	In-house	30-Oct-18
	KPMG Penang Tax Summit 2018	KPMG	22-Nov-18
	Budget 2019 Highlights	In-house	18-Dec-18

Annual Performance Assessment
The Board performs an annual assessment of the ARMC's effectiveness in carrying out its duties as set out in the Terms of Reference. The Board is satisfied that the ARMC has effectively discharged its duties in accordance with its Terms of Reference. The Board Effectiveness Assessment 2018 further commended that the ARMC has the right composition and sufficient relevant skills and expertise.

Corporate Governance Overview Statement

Corporate Governance Overview Statement is prepared in accordance with Practice Note 9 of Main Market Listing Requirements ("Main Market LR") and The Malaysian Code of Corporate Governance ("MCCG") issued by Securities Commission Malaysia. This statement gives the shareholders an overview of the corporate governance ("CG") practices of the Company during financial year 2018. This Corporate Governance Overview Statement is to be read together with the CG Report based on a prescribed format as outlined in paragraph 15.25(2) of the Main Market LR. This CG Report is available for reference at the Company's website, www.globetronics.com.my, as well as on Bursa Malaysia Berhad's website, www.bursamalaysia.com.

The Board of Directors ("Board") of Globetronics Technology Berhad ("GTB") is committed to practice the highest standards in corporate governance throughout the Group. The Board believes that good governance supports long-term value creation. GTB has in place a set of well-defined polices to enhance corporate governance, as well as to protect the interest of the stakeholders.

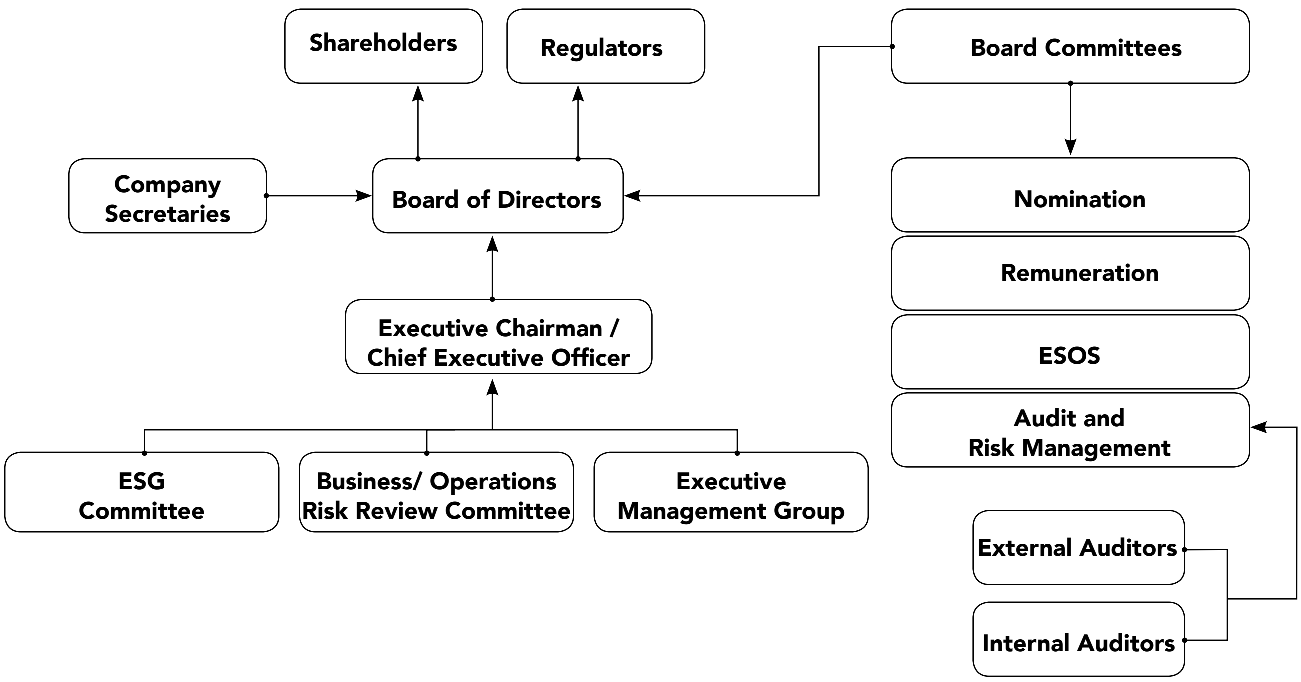
This statement demonstrates the Board's commitment in sustaining high standards of corporate governance and outlines how the Group has complied with the principles set out in the Code with regards to the recommendations stated under each principles for the year under review.

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS

I. BOARD RESPONSIBILITIES

The Board provides entrepreneurial leadership of the Group and is collectively responsible for setting policies, which ensure that the Group's objective and performance targets are met. There is a division of functions between the Board and the Management, whereby the former's focus lies more on the Company's governance; the latter on management in accordance with the direction of and delegation by the Board. Thus, the Board leads the Group and plays a strategic role in overseeing the overall activities of the Management in carrying out the delegated duties in achieving the Group's corporate objectives and long term strategic plans of the business. The below Group Governance Framework is established to ensure that the responsibilities and duties are discharged effectively.

The Group's Governance Framework



The Chairman is responsible for leadership of the Board and is pivotal in creating the conditions for overall Board, Board Committee and individual director effectiveness. The Board supports the practice of separate individuals for the Chairman and CEO positions to ensure the effective functioning of the Board and appropriate balance of power and authority which is stated in the Board Charter. The Board Charter sets out the roles and responsibilities of the Board, composition and matters related to Board. The Board Charter was reviewed and approved in July 2018.

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

I. BOARD RESPONSIBILITIES (cont'd)

The Board had established the Principles of Business Conduct to ensure integrity is in practice at all times throughout the organization. The Board also provided an avenue for employees to report their genuine concerns of any unlawful or unethical situations or any suspected violation of the Principles of Business Conduct through its Whistleblowing Policy.

The details of the Board Charter, Principles of Business Conduct and Whistleblowing Policy are set out in CG report and the policies are available for reference at the Company's website, www.globetronics.com.my.

In order to ensure effective discharge of its duties, the Board has delegated certain functions and responsibilities to the following Board Committees:

- Nomination Committee ("NC");
- Remuneration Committee ("RC");
- Audit and Risk Management Committee ("ARMC"); and
- Employee Share Options Scheme ("ESOS") Committee

All Board Committees will report to the Board on matters deliberated and the Board is ultimately responsible for the decision making.

To assist in fulfilling their duties, procedures are in place for the board members to seek independent advice and services of the Company Secretaries who are responsible for advising the Board on governance matter. The Company Secretaries have years of working experience with sufficient skills, knowledges and resources in advising the Board on governance and regulatory matters.

II. BOARD COMPOSITION

The Board recognizes the importance of boardroom diversity and the practice of the MCCG pertaining to the establishment of a diversity policy in skills, experiences, knowledge, age, gender, ethnicity and educational background. The Board has in place its Diversity Policy and it is available for reference at the Company's website, www.globetronics.com.my.

The details of directors' background, experiences and qualifications are set out on pages 6 to 11 under the Profile of Directors of the Annual Report.

The overview of the Board composition, balance and diversity as of 31 December 2018 is as the below tables:

Gender Diversity		Race/Ethnicity Diversity		Age Group Diversity		Board Experience	
Male	78%	Malay	33%	70 years and above	22%	Multinational/International	89%
Female	22%	Chinese	67%	61-69 years	45%	Science/Engineering/Bio industry	67%
				60 years and below	33%	Accounting/Finance/Economic	67%
						Public/Legal/Regulatory Affair	44%

Note: Under Board Experience, individual Directors may fall into one or more categories.

The Board is assisted by NC in discharging its responsibilities by overseeing the selection and assessment of Directors to ensure that the Board's composition has an appropriate mix of skills, experience, knowledge, age and gender. The Committee meets when necessary. For the financial year ended 31 December 2018, one (1) NC meeting was held.

In terms of independence, NC reviewed and assessed the independence of Independent Directors and their tenure of service. The Board is adopting the best practice as propounded by the MCCG, which sets the tenure of the independent directors to be capped at nine (9) years. None of the Independent Directors have served a cumulative term exceeding nine (9) years.

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

II. BOARD COMPOSITION (cont'd)
Length of service of Independent Non-Executive Directors is as below:

Directors	Date of Appointment	Length of Service (Years)*
Dato' Syed Mohamad Bin Syed Murtaza	18-May-11	7.9
Dato' Iskandar Mizal Bin Mahmood	16-May-12	6.9
Mr. Yeow Teck Chai	16-May-12	6.9
Ms. Lam Voon Kean	15-May-13	5.9
Mr. Ong Huey Min	23-Oct-17	1.4

*as at 26 March 2019

NC also recommended the re-appointment and re-election of Directors at the AGM to the Board for its approval. Directors are subject to retire by rotation at least every 3 years. The Directors due to retire at the forthcoming AGM are shown in the Notice of Meeting (Ordinary Resolution 1,2 and 3) on page 139 of 2018 Annual Report.

The Company's Constitution also provides that any Director appointed during the year are subject to retire and seek re-election by the shareholders at the forthcoming AGM immediately after his/her appointment. There are none for this year.

NC together with the Board continue to evaluate and determine the training needs of Directors by identifying and encouraging Board members to attend various external professional training programs relevant and useful in contributing to the effective discharge of their duties.

The Board, through NC, conducted an annual evaluation of the Board's effectiveness and composition, including the effectiveness of the Audit and Risk Management Committee, Nomination Committee, Remuneration Committee and ESOS Committee that was undertaken internally by way of written questionnaire. The results indicated that the Board and its Committees continued to operate effectively in discharging its duties and responsibilities. Going forward, areas that the Board would like to put more focus on are related to senior management succession planning, strategic opportunities in response to volatility in technology market within the purview of the Company's risk appetite and sustainability matters in relation to the Group's business decision and strategies. It is the Board's intention to continue to review annually its performance and that of its committees.

III. REMUNERATION
Remuneration Committee
The RC is responsible for recommending to the Board the remuneration packages for Directors as well as senior management. The RC has in place a Remuneration Policy on Directors and senior management with the aim to provide remuneration packages needed to attract, retain and motivate Directors and senior management of the quality required to manage the business of the Group and to align the interest of the Directors and senior management with those of the shareholders.

The Remuneration Policy is available for reference at the Company's website, www.globetronics.com.my.

None of the Executive Directors participated in any way in determining their individual remuneration. Executive Directors' remunerations are linked to their respective performance and subject to the approval of the Board.

The Board as a whole determines the fees for the services of Non-Executive Directors, on the recommendation of the RC once every 2 years and subject to the approval of shareholders in the AGM. The Committee meets when necessary. For the financial year ended 31 December 2018, one (1) RC meeting was held.

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

III. REMUNERATION
Remuneration Committee (cont'd)
The remuneration for the Board and Board Committees in the form of fees for the financial year under review are as follows:

Board/Board Committee	Chairman (RM/Year)	Member (RM/Year)
Board	105,000	105,000
Audit and Risk Management Committee	20,000	17,000
Nomination Committee	5,000	4,000
Remuneration Committee	5,000	4,000
ESOS Committee	5,000	4,000

The Non-Executive Directors are paid a meeting allowance of RM500 per day for each Board meeting and/or Board Committee meeting they attend.

Specific disclosure of Directors' remuneration and senior management's remuneration in relation to Practice 7.1 and 7.2 of the MCCG are provided in the CG report.

PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT

The Board is responsible for assessing the integrity of the Group's financial information and the adequacy and effectiveness of the Group's internal control and risk management processes. The Board delegates these specific matters to ARMC to assist in the discharge of its responsibilities.

I. AUDIT AND RISK MANAGEMENT COMMITTEE
The ARMC comprises of three (3) Independent Non-Executive Directors. For the financial year ended 31 December 2018, six (6) ARMC meeting were held, and a summary of the activities of the ARMC including the internal audit function during the year under review is set out on page 33 and 34 of the Annual Report.

In terms of appointment of ARMC member, it is an existing practice of ARMC to observe the cooling-off period of at least 2 years for a former key audit partner to be appointed as a member of ARMC. Currently this practice is stated in the External Auditors Policy.

Based on the External Auditors Policy, ARMC also reviewed the suitability, objectivity and independence of the external auditors. The review process covers the assessment and evaluation of their performance, quality of work, non-audit services provided and timeliness of services deliverables.

The Board performed an annual assessment of the Committee's effectiveness in carrying out its duties as set out in the Terms of Reference. The Board is satisfied that the Committee has effectively discharged its duties in accordance with its Terms of Reference. All members of ARMC are financially literate and are able to understand matters under the purview of the ARMC including the financial reporting process.

II. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK
The Board recognizes the importance of risk management and internal controls in the overall management process. An ongoing process has been established for identifying, evaluating and managing risks faced by the Group. During the year, the Board considered the nature and extent of the risks it was willing to take to achieve its strategic goals. Details of Statement on Risk Management and Internal Control which provides an overview of the Group's risk management and internal control framework is set out on pages 42 and 44 of the Annual Report.

PRINCIPLE C – INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

I. COMMUNICATION WITH STAKEHOLDERS

The Company remains committed to delivering high standards of corporate disclosure and transparency in our communications with shareholders, investors and stakeholder, except where commercial confidentiality dictates otherwise. The Company provides timely, regular, relevant and complete information regarding the Group's businesses and corporate developments. In this respect, the Company follows the Corporate Disclosure Guide and Best Practices as proposed by Bursa Malaysia. The details of the GTB Corporate Disclosure Policy and Procedures is available for reference at the Company's website, www.globetronics.com.my.

The Board's primary contact with all shareholders is via the Chief Financial Officer and Corporate Director, who have regular dialogue and meetings with institutional investors, analysts and fund investors periodically. The Chairman and the Executive Directors, as appropriate, also meet with various institutional shareholders from time to time. The outcomes of the meetings are reported to the Board to ensure that the Board keeps in touch with shareholder views. For the financial year ended 31 December 2018, the management held and/or attended more than 50 meetings/roadshows with fund managers and analysts in Kuala Lumpur, Singapore, Hong Kong, Taipei, Tokyo and Shanghai.

The information published at the Company's website, www.globetronics.com.my and announcements made to Bursa Malaysia's website, www.bursamalaysia.com, are the key source of information for the shareholders and stakeholders. The Company's website also serves as a forum for the shareholder and stakeholders to communicate with the Company.

II. CONDUCT OF GENERAL MEETING

Annual General Meetings ("AGM")

The AGM is the principal forum for dialogue and interaction with the shareholders of the Company. All shareholders are welcome to attend the AGM and are encouraged to take advantage of the opportunity to direct questions to members of the Board.

The Company distributed the Notice of 22nd AGM at least 28 days ahead in line with the CG practice providing sufficient time for shareholders to review the Notice of AGM and appoint proxies to attend the AGM if necessary. The Notice of AGM is also advertised in The Star newspaper for the benefit of shareholders.

An overview of the Company's results and prospect is given by the Chairman at the AGM prior to the commencement of the formal business of the meeting. Members of the Board are present at the meeting to respond to the questions raised by the shareholders or proxies in relation to the operational and financial performance of the Group. In line with good CG practice, the Company implemented electronic poll voting since the last AGM and would continue this practice for greater transparency and efficiency in the voting process.

Press interviews are done after the AGM where the Board members/CEO answer questions in relation to the Group's operations and prospects.

The Corporate Governance Overview Statement was approved by the Board of Directors on 26 March 2019.

Additional Compliance Information

1. Meetings Attendance Record for 2018

Directors' attendance record at the AGM, scheduled Board meetings and Board committee meetings, for the year ended 31 December 2018 is as set out in the table below. For Board and Board committee meetings, attendance is expressed as the number of meetings attended out of the number that each Director was eligible to attend.

		Annual General	Board		Audit and Risk Management Committee ("ARMC")		Nomination Committee ("NC")		Remuneration Committee ("RC")		Employees Share Option Scheme ("ESOS") Committee	
Directors	Independence	Meeting	Membership	Attendance	Membership	Attendance	Membership	Attendance	Membership	Attendance	Membership	Attendance
Mr Michael Ng Kweng Chong	Non-Independent	√	Chairman	5/5								
Dato' Heng Huck Lee	Non-Independent	√	CEO	5/5								
Dato' Syed Mohamad Bin Syed Murtaza	Independent	√	Member	5/5	Chairman	6/6	Member	1/1			Member	2/2
Dato' Norhalim Bin Yunus	Non-Independent	√	Member	5/5					Member	1/1		
Dato' Iskandar Mizal Bin Mahmood	Independent	√	Member	5/5			Chairman	1/1	Member	1/1		
Mr. Yeow Teck Chai	Independent	√	Member	5/5			Member	1/1	Chairman	1/1		
Ms. Lam Voon Kean	Independent	√	Member	5/5	Member	6/6					Chairwoman	2/2
Mr. Ng Kok Khuan	Non-Independent	√	Member	5/5							Member	2/2
Mr. Ng Kok Chin	Non-Independent	√	Member (resigned on 1st Aug 2018)	3/3								
Ms. Ong Huey Min	Independent	√	Member	5/5	Member	6/6						

The following information is provided in accordance with Paragraph 9.25 of Main Market LR of Bursa Malaysia as set out in Part A of Appendix 9C.

2. Utilisation of Proceeds Raised from Corporate Proposals

There were no proceeds raised from corporate proposals.

3. Audit and Non-Audit Fees

The amount of audit fees paid or payable to the external auditors, KPMG PLT, for services rendered to the Company and the Group for the financial year ended 31 December 2018 amounted to RM21,000 and RM153,500 respectively.

The amount of non-audit fees paid or payable to the external auditors, KPMG PLT and its affiliates, were only for the services rendered to the Company for the financial year ended 31 December 2018 amounted to RM13,900.

4. Material Contracts

There were no material contracts entered into by the Company and/or its subsidiaries involving directors' and major shareholders' interest either still subsisting at the end for the financial year ended 31 December 2018 or entered into since the end of the previous financial year.

Statement on Risk Management and Internal Control

INTRODUCTION

The Board of Directors of Globetronics Technology Bhd is pleased to provide the following Statement on Risk Management and Internal Control ("Statement") pursuant to paragraph 15.26(b) of the Bursa Malaysia Securities Berhad's Main Market Listing Requirements. The Board is guided by the Statement on Risk Management & Internal Control- Guidelines for Directors of Listed Issuers in making disclosures concerning the main features of the Risk Management Framework and Internal Controls System of the Group and is committed to fulfilling its responsibility of maintaining a sound system of risk management and internal control in the Group. The Statement outlines the nature and state of risk management and internal control of the Group during the year.

BOARD RESPONSIBILITY

The Board recognises the importance of risk management framework and a sound system of internal control to good corporate governance practices. The Board affirms its overall responsibility for the Group's systems of risk management and internal controls, and for reviewing the adequacy and effectiveness of those systems. In view of the inherent limitations in any system of internal controls, the systems are designed to manage, rather than eliminate the risk of failure to achieve the goals and objectives of the Group. In pursuing these, internal control can only provide reasonable rather than absolute assurance against material misstatement of management and financial information, financial losses, fraud and breaches of laws or regulations.

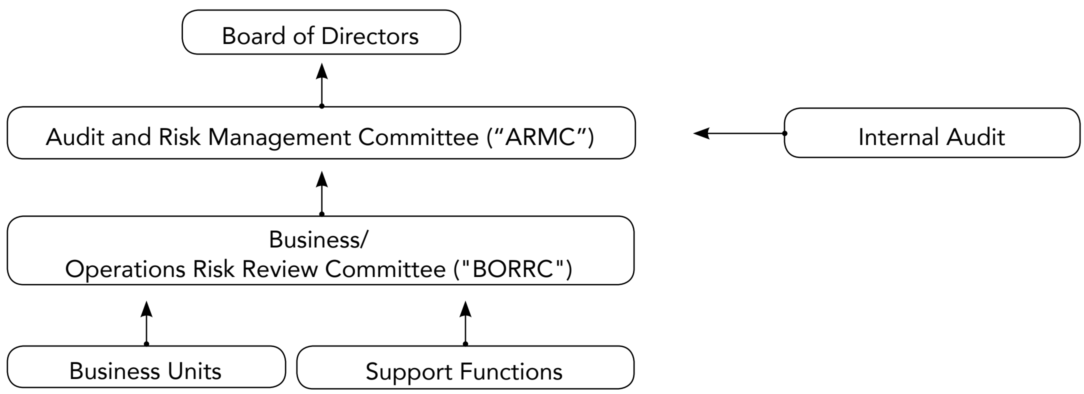
The Group's system of risk management and internal control involves the management and staff from each business units of its respective subsidiaries. The Board is responsible for determining key strategies for significant risks and control issues, whilst Functional Managers of the subsidiaries are responsible to implement the Board's strategies effectively by designing, operating and monitoring the control processes and managing risks.

KEY COMPONENTS OF RISK MANAGEMENT AND INTERNAL CONTROL ENVIRONMENT

Risk Management Framework
GTB has established an Enterprise Risk Management ("ERM") Framework in line with Committee of Sponsoring Organizations of the Treadway's Commission ("COSO") ERM framework. This serves as a platform to provide guidance in identifying and managing risk pertaining to the Group's goals and objectives. The Framework is summarised as follows:

- Key principles of Risk Management Framework
- Approach and process in identifying, assessing, responding, monitoring and reporting of risks and controls; and
- the roles and responsibilities of each level of management in the Group.

The assessment of business risks is carried out primarily by the Executive Directors and/or BORRC through their participation in management meetings, desktop reviews, deliberation or communication with key management staff to ensure the adequacy and integrity of the system of internal control. These initiatives would ensure that the Company and the Group have in place an ongoing process to identify measures to manage the significant risks affecting the achievement of its business objectives. The process includes systematic activities of risk identification, risk assessment and measurement, risk response and action, monitoring and reporting. The Group's risk management structure to assign responsibility for risk management and facilitate the process for assessing and communicating risk issues from transactional levels to the Board is summarised in the diagram below:



KEY COMPONENTS OF RISK MANAGEMENT AND INTERNAL CONTROL ENVIRONMENT (cont'd)

Risk Management Framework (cont'd)
During the financial year under review, the Group under its Risk Management Report has identified twelve key risks in relation to operational, financial and compliance risks and the Group has evaluated the potential impact of these risks. The Risk Register was updated, and meetings were held to communicate and deliberate the issues or risks and where appropriate, the control systems and action plans were implemented and taken to ensure the continuous risk mitigation and risk management.

The principal risks for the financial year 2018 have been reviewed by the Board of Directors and are as follows:

Operational Risk
In the Group's line of business, the Group's performance is highly dependent on customers' performance. Their fluctuations in their operations would have an impact on the Group's operations. Therefore, one of the key roles of senior management team is to be on the lookout for ways to manage these risks, monitor the performance of the customers and build relationships with customers.

Financial Risk
The Group is exposed to financial risks relating to credit, liquidity, interest rates, foreign currency exchange rate and equity prices.

The Group's risk management objectives and policies coupled with the required quantitative and qualitative disclosures relating to its financial risks are set out in Note 28 to the financial statements on pages 110 to 125.

Compliance Risk
The Group's business is governed by relevant laws, regulations and standards. There are frequent changes and updates to the regulations and standards from time to time and there may be a risk/exposure of non-compliance. The Group keeps themselves informed of such changes by receiving/subscribing to e-mail alerts and written materials from governing bodies and professional bodies and also attending seminars and training to keep themselves armed with knowledge of the latest developments.

Investment Risk
One of the Group's strategic initiatives is to create additional revenue streams by venturing into new business or expanding existing business. Nonetheless, the Group recognises the risk and repercussions involved in poor investment decisions and the management of these new business. To manage this risk, all new business proposal and additional investments would need to be tabled for Board's discussion, review and approval. Further to that, a start-up team are put together to manage the start-up and to ensure successful transition from start-up to mass production.

Cyber Risk
The current business environment is globally interconnected, thus increasing the organisation's exposure to cyber threats. To manage this risk, controls have been put in place to manage and protect the confidentiality, integrity and availability of data and critical infrastructure. Amongst others, adequate IT industrial standard network security layer equipment, encryption protocols, virus scanning tools and application are being put in place to protect and secure the accessibility to the Group's IT environment. The Group will continue its focus in this area to enhance its IT infrastructure.

Governance and Integrity Risk
The Group holds strongly to our key value of integrity at all times to ensure high ethical standards and good corporate governance are maintained. We believe that sound corporate governance is a key success factor when conducting business in a global, highly competitive, regulated and changing market. The Group's Principles of Business Conduct sets out rules and guidelines on how personnel acting for or on behalf of the Group are expected to conduct business. The Group will continue its focus on maintaining and further enhancing corporate governance standard to support the Group's business integrity and continuing strong performance.

Board Meetings
The Board meets at least quarterly and has a formal agenda on matters for discussion. The Founder and Executive Chairman, together with the Chief Executive Officer, lead the presentation of board papers and provide explanation on pertinent issues.

In arriving at any decision, on recommendation by the Management, a thorough deliberation and discussion by the Board is a prerequisite. In addition, the Board is kept updated on the Company's and the Group's activities on a regular basis.

Management Meetings
Annual strategic planning meetings are held before the beginning of the financial year whereby the Group's yearly strategies, objectives, key results and its measurement are finalised between the Executive Directors and the key management team of the respective major subsidiaries, for organization calibration and alignment purposes.

Bi-monthly management meetings are held to identify, discuss and resolve operational, financial and key management issues. The meetings are attended by the Chief Executive Officer, Business and Operation Directors, key managers and key relevant staffs in which the meeting serves as a platform whereby the Group's goals, objectives and key results are continuously communicated and reinforced with potential risk areas identified, evaluated and managed.

KEY COMPONENTS OF RISK MANAGEMENT AND INTERNAL CONTROL ENVIRONMENT (cont'd)

Business Review Meetings
Monthly business review meetings are carried out at the major subsidiaries with meetings attended by the Executive Directors, Chief Financial Officer, its various Business and Operation Directors and Finance Managers. The Business and Operation Directors will lead the discussion/presentation on the various areas such as monthly profit and loss for its key product lines, comparison of its actual monthly/year to date results versus forecast, business planning and strategies, productivity/improvement plans and others for the respective major subsidiaries of the Group.

Organisational Structure with Formally Defined Responsibility Lines and Delegation of Authority
There is an organisational structure with formally defined responsibility lines and authorities to facilitate timely response to changes in the evolving business environment and accountability for operational performance. Capital and non-capital expenditures, acquisition and disposal of investment are subject to appropriate review by the Management, and if required, approval by the Board.

Performance Management Framework
Management reports are generated on a regular and consistent basis to facilitate the Board, the Company's and the Group's Management to perform financial and operational reviews on the various key operating units. The reviews encompass areas such as financial and non-financial key performance indicators, variances between budget and operating results, effectiveness of the processes and its internal control system and compliance with laws and regulations.

Operational Policies and Procedures
The documented policies and procedures form an integral part of the internal control system to safeguard the Company's and the Group's assets against material losses and seek to ensure complete and accurate financial information. The documents consist of memoranda, circulars, manuals and handbooks that are continuously being revised and updated to meet operational needs.

Integrity and Ethical Values
The Board and Executive Management set the tone at the top for corporate behaviour and corporate governance. All employees of the Group shall adhere to the guidelines as set out in the Principles of Business Conduct which sets out the principles to guide employees in carrying out their duties and responsibilities to the highest standards of personal and corporate integrity when dealing within the Group and with external parties. The Group's Principles of Business Conduct covers areas such as compliance with respect to local laws and regulations, business conduct, conduct in the workplace, protection of the Group's assets, conflict of interest and confidentiality.

Group Internal Audit
The Internal Audit Function, who reports to the ARMC, conducts reviews on the systems of risk management and internal control that the controls are in place to identify, manage and evaluate risks. The routine reviews are being conducted on business units/divisions under the Group's major core activities.

Significant findings, recommendations for improvement and management responses were reported to the ARMC, with periodic follow-up on the implementation of action plans. The Management is responsible for ensuring that remedial actions were implemented accordingly.

The internal control systems discussed in this Statement do not apply to the associated company which falls under the control of its major shareholders. Nonetheless, the interest of the Group is safeguarded through our representatives on the Board of the associated company.

REVIEW OF STATEMENT BY THE BOARD

The Board has reviewed the adequacy and effectiveness of the Group's risk management and internal control system for the year under review and up to the date of approval of this Statement for inclusion in the Annual Report. The Board is of the view that the system of risk management and internal control instituted by the Group is sound and effective and there were no material losses incurred during the year under review as a result of internal control weaknesses or adverse/non-compliance events. The monitoring, review and reporting arrangement in place give reasonable assurance that the operation of controls is appropriate for the Group's operations.

The Board has received assurance from the Chief Executive Officer and the Chief Financial Officer that the Group's risk management and internal control system is operating adequately and effectively, in all material aspects based on the risk management and internal control system of the Group. Reviews of all the control procedures will be continuously carried out to ensure the ongoing effectiveness and adequacy of the system of risk management and internal control, so as to safeguard shareholders' investments and the Group's assets.

This Statement on Risk Management and Internal Control was approved by the Board of Directors on 26 March 2019.

Directors' Responsibility Statement

for the Audited Financial Statements

In respect of the preparation of the audited financial statements, the Directors are required by the Companies Act 2016 to prepare financial statements for the financial year so that to give a true and fair view of the state of affairs of the Company and Group and their results and cash flows for that year. In preparing the financial statements for the financial year ended 31 December 2018, the Directors have:

- Used appropriate accounting policies and applied them consistently;
- Made judgements and estimates that are reasonable and prudent; and
- Stated whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The Directors are responsible for ensuring that proper accounting records are kept and which disclose with reasonable accuracy the financial position of the Company and Group to enable them to ensure that the financial statements comply with the Companies Act 2016. They have an overall responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company, to prevent and detect fraud and other irregularities.

The ARMC assists the Board in reviewing and scrutinizing the information in terms of accuracy, adequacy, transparency and completeness for disclosure to ensure reliability and compliance with applicable financial reporting standards. The ARMC reviewed the quarterly and annual audited financial statements of the Group prior to recommendation of the same to the Board for approval and submission to Bursa Malaysia.

Directors' Report
for the year ended 31 December 2018

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2018.

Principal activities

The Company is an investment holding company whilst the principal activities of the subsidiaries are as stated in Note 5 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

Subsidiaries

The details of the Company's subsidiaries are disclosed in Note 5 to the financial statements.

Results

	Group RM'000	Company RM'000
Profit for the year attributable to owners of the Company	70,117	52,276

Reserves and provisions

There were no material transfers to or from reserves and provisions during the financial year under review except as disclosed in the financial statements.

Dividends

Since the end of the previous financial year, the amount of dividends paid by the Company were as follows :

(i) In respect of the financial year ended 31 December 2017 as reported in the Directors' Report of that year :

- a third interim single tier ordinary dividend of 2.0 sen per share and a single tier special dividend of 4.0 sen per share, totalling RM17,136,752 declared on 1 March 2018 and paid on 30 March 2018.

(ii) In respect of the financial year ended 31 December 2018 :

- a first interim single tier ordinary dividend of 1.0 sen per share and a single tier special dividend of 2.0 sen per share, totalling RM20,010,223 declared on 12 June 2018 and paid on 11 July 2018;

- a second interim single tier ordinary dividend of 1.0 sen per share and a single tier special dividend of 2.0 sen per share, totalling RM20,070,991 declared on 5 November 2018 and paid on 4 December 2018; and

- a third interim single tier ordinary dividend of 1.0 sen per share and a single tier special dividend of 2.0 sen per share, totalling RM20,072,566 declared on 26 February 2019 and paid on 26 March 2019.

The Directors do not recommend any final dividend to be paid for the financial year under review.

Directors of the Company

Directors who served during the financial year until the date of this report are :

Ng Kweng Chong	- Founder and Executive Chairman
Dato' Heng Huck Lee	
Ng Kok Khuan	
Dato' Norhalim Bin Yunus	
Dato' Syed Mohamad Bin Syed Murtaza	
Dato' Iskandar Mizal Bin Mahmood	
Yeow Teck Chai	
Lam Voon Kean	
Ong Huey Min	
Ng Kok Chin	- Resigned on 1.8.2018

Director of the subsidiaries

Director of the subsidiaries who served during the financial year until the date of this report is as follows :

Ng Kok Choon

Directors' interests in shares

The interests and deemed interests in the shares and options over shares of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at financial year end (including the interests of the spouses or children of the Directors who themselves are not Directors of the Company) as recorded in the Register of Directors' Shareholdings are as follows :

	Number of ordinary shares										
	At 1.1.2018	Exercise of options	Bought	(Sold)	Balance before subdivision	Subdivision	Bonus issue	Exercise of options	Bought	(Sold)	At 31.12.2018
Interests in the Company											
Ng Kweng Chong											
- Own	2,991,071	–	–	–	2,991,071	2,991,071	997,023	–	–	–	6,979,165
- Others *	1,248,320	–	–	–	1,248,320	1,248,320	416,106	80,120	–	(98,000)	2,894,866
Dato' Heng Huck Lee											
- Own	773,400	–	–	–	773,400	773,400	257,800	–	–	–	1,804,600
- Others *	9,000	39,000	–	(10,000)	38,000	38,000	12,666	–	10,000	(35,500)	63,166
Ng Kok Khuan											
- Own	40,000	–	–	–	40,000	40,000	13,333	–	30,000	–	123,333
- Others *	95,640	–	–	–	95,640	95,640	31,880	–	–	–	223,160
Yeow Teck Chai											
- Own	62,920	–	–	–	62,920	62,920	20,973	–	–	–	146,813
- Others *	83,144	–	–	–	83,144	83,144	27,713	–	–	–	194,001

Directors' interests in shares (cont'd)

	Number of ordinary shares									
	At 1.1.2018	Exercise of options	Bought	(Sold)	Balance before subdivision	Subdivision	Bonus issue	Exercise of options	Bought	(Sold)	At 31.12.2018
Interests in the Company (cont'd)											
Ong Huey Min											
- Others *	70,000	–	14,000	–	84,000	84,000	28,000	–	10,000	–	206,000
Deemed interests in the Company											
Ng Kweng Chong											
- Own	21,822,446	–	376,000	–	22,198,446	22,198,446	7,396,813	–	564,000	(7,500,000)	44,857,705

	At 1.1.2018	Granted	(Exercised)	Balance before subdivision	Subdivision	Bonus issue	Granted	(Exercised)	At 31.12.2018
ESOS 2014									
Ng Kweng Chong									
- own	161,000	135,000	–	296,000	296,000	98,662	–	–	690,662
- others *	22,000	33,000	–	55,000	55,000	18,332	–	(80,120)	48,212
Dato' Heng Huck Lee									
- own	88,000	130,000	–	218,000	218,000	72,665	–	–	508,665
- others *	234,000	98,000	(39,000)	293,000	293,000	97,659	–	–	683,659

* These are shares held in the name of the spouses and children and are treated as interest of the respective Directors in accordance with the Companies Act 2016.

None of the other Directors holding office at 31 December 2018 had any interests in the shares and options over shares of the Company and of its related corporations during the financial year.

Directors' benefits

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than those fees and other benefits included in the aggregate amount of remuneration received or due and receivable by Directors as shown in the financial statements of the Company or of a related corporation) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate apart from the issue of the Employees Share Option Scheme ("ESOS").

Issue of shares and debentures

During the financial year, the Company :

(i) subdivided of 285,763,840 ordinary shares into 571,527,680 new ordinary shares;

(ii) declared bonus issue of 95,252,488 new ordinary shares on the basis of one new ordinary share for every six existing ordinary shares held in the Company after the above subdivision by way of capitalisation from the share premium account; and

Issue of shares and debentures (cont'd)

(iii) issued of new ordinary shares for cash arising from the exercise of employees' share options at the respective exercise prices as follows :

Number of ordinary shares	Exercise price
	RM
Before subdivision and bonus issue	
22,100	4.77
13,600	5.86
272,100	3.29
2,000	3.90
92,600	5.07
57,400	4.17
After subdivision and bonus issue	
25,953	2.04
36,864	2.51
181,323	1.41
13,999	1.67
271,804	2.17
1,722,916	1.78

There were no other changes in the issued and paid-up capital of the Company and no debentures were in issue during the financial year.

Options granted over unissued shares

No options were granted to any person to take up unissued shares of the Company during the financial year apart from the issue of options pursuant to the Employees Share Option Scheme 2014 ("ESOS 2014").

At an extraordinary general meeting held on 20 May 2014, the Company's shareholders approved the establishment of an ESOS 2014 of up to 10% of the issued and paid-up share capital of the Company, to eligible Executive Directors and employees of the Group.

The salient features of ESOS 2014 are, inter alia, as follows :

i) The total number of shares to be offered under ESOS 2014 shall not exceed 10% of the issued and paid-up share capital of the Company at any point in time during the existence of ESOS 2014;

ii) ESOS 2014 shall continue to be in force for a period of five years from 12 August 2014;

iii) The option is personal to the grantee and is non-assignable, transferable, disposable or chargeable except for certain conditions provided for in the By-Laws;

iv) Eligible persons are full-time employees and Executive Directors of the Group who have been confirmed in the employment of the Group for at least three months prior to the date of offer, the date when an offer is made in writing to an employee to participate in ESOS 2014;

v) The option granted may be exercised in full or in lesser number of ordinary shares provided that the number shall be in multiple of 100 shares;

Options granted over unissued shares (cont'd)

vi) The option price for each ordinary share shall be at a discount of not more than ten per centum (10%) of the 5-day weighted average market price of the shares, as quoted on Bursa Malaysia Securities Berhad ("Bursa") immediately preceding the date of offer, or such lower or higher limit in accordance with any prevailing guideline issued by Bursa or any other relevant authority as amended from time to time or at par value of the shares of the Company, whichever is higher;

vii) In the event of any alteration in the capital structure of the Company during the option period, whether by way of capitalisation of profits or reserves, rights issues, reduction of capital, subdivision, consolidation of shares or otherwise (excluding the purchase by the Company of its own shares) howsoever, taking places, such corresponding alterations (if any) shall be made in the number of shares relating to the unexercised options and option price;

viii) The options granted do not confer any dividend or other distribution declared to the shareholders as at a date which precedes the date of exercise of the option and will be subject to all the provisions of the Constitution of the Company; and

ix) The persons to whom the options have been granted have no right to participate by virtue of the options in any share issue of any other company.

The options offered (under ESOS 2014) to take up unissued ordinary shares and the options prices are as follows :

Date of offer	Expiry date	Exercise price	At 1.1.2018	Granted	(Exercised)	Balance before subdivision	Subdivision	Bonus issue	Granted	(Exercised)	(Forfeited)	At 31.12.2018
14.08.2014	11.08.2019	4.77/2.04^	244,700	–	(22,100)	222,600	222,600	74,200	–	(25,953)	(28,364)	465,083
13.05.2015	11.08.2019	5.86/2.51^	598,100	–	(13,600)	584,500	584,500	194,833	–	(36,864)	(118,533)	1,208,436
26.10.2015	11.08.2019	6.18/2.64^	3,300	–	–	3,300	3,300	1,100	–	–	–	7,700
24.05.2016	11.08.2019	3.29/1.41^	606,600	–	(272,100)	334,500	334,500	111,500	–	(181,323)	(44,333)	554,844
20.10.2016	11.08.2019	3.90/1.67^	9,600	–	(2,000)	7,600	7,600	2,533	–	(13,999)	–	3,734
19.04.2017	11.08.2019	5.07/2.17^	1,052,700	–	(92,600)	960,100	960,100	320,033	–	(271,804)	(147,429)	1,821,000
25.10.2017	11.08.2019	6.32/2.70^	70,900	–	–	70,900	70,900	23,633	–	–	(32,433)	133,000
20.04.2018	11.08.2019	4.17/1.78^	–	1,976,300	(57,400)	1,918,900	1,918,900	639,633	–	(1,722,916)	(392,149)	2,362,368
25.10.2018	11.08.2019	2.07	–	–	–	–	–	–	114,500	–	(3,000)	111,500

^ Adjusted exercise price as a result of the subdivision and bonus issue.

The aggregate maximum allocation of ESOS to Executive Directors and senior management of the Group shall not exceed 50%. The actual allocation of share options to Executive Directors and senior management was 24% as at 31 December 2018.

Indemnity and insurance costs

During the financial year, the cost of insurance effected for Directors or officers of the Group amounted to RM17,176.

There was no indemnity given to Directors, officers or auditors of the Company during the year.

Other statutory information

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that :

i) all known bad debts have been written off and adequate provision made for doubtful debts, and

ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances :

i) that would render the amount written off for bad debts or the amount of the provision for doubtful debts in the Group inadequate to any substantial extent, or

ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading; or

iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or

iv) not otherwise dealt with in this report or the financial statements that would render any amount stated in the financial statements of the Group and of the Company misleading.

At the date of this report, there does not exist :

i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person; or

ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of any company in the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 31 December 2018 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

Significant events

The details of such events are disclosed in Note 31 to the financial statements.

Auditors

The auditors, KPMG PLT, have indicated their willingness to accept re-appointment.

The auditors' remuneration is disclosed in Note 18 to the financial statements.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors :

Ng Kweng Chong	Dato' Heng Huck Lee
Director	Director

Penang,
Date : 26 March 2019

Statements Of Financial Position
as at 31 December 2018

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Assets					
Property, plant and equipment	3	145,441	150,105	–	–
Investment property	4	6,850	7,107	–	–
Investments in subsidiaries	5	–	–	163,727	162,635
Investment in an associate	6	5,348	5,309	784	784
Other investments	7	8,191	8,514	5,071	5,084
Deferred tax assets	8	899	1,379	–	–
Total non-current assets		166,729	172,414	169,582	168,503
Inventories	9	12,619	13,464	–	–
Current tax assets		1,169	403	–	–
Trade and other receivables	10	74,545	94,510	72	85
Cash and cash equivalents	11	121,007	116,352	28,086	27,411
Total current assets		209,340	224,729	28,158	27,496
Total assets		376,069	397,143	197,740	195,999
Equity					
Share capital	12	185,772	178,904	185,772	178,904
Reserves	13	115,373	102,441	11,161	16,195
Total equity attributable to owners of the Company		301,145	281,345	196,933	195,099
Liabilities					
Deferred income	14	4,038	6,552	–	–
Loans and borrowings	15	4,157	24,402	–	–
Total non-current liabilities		8,195	30,954	–	–
Loans and borrowings	15	20,785	26,794	–	–
Current tax liabilities		71	427	5	5
Trade and other payables	16	45,873	57,623	802	895
Total current liabilities		66,729	84,844	807	900
Total liabilities		74,924	115,798	807	900
Total equity and liabilities		376,069	397,143	197,740	195,999

The notes on pages 61 to 128 are an integral part of these financial statements.

Statements Of Profit Or Loss And Other Comprehensive Income

for the year ended 31 December 2018

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Continuing operations					
Revenue	17	327,956	304,558	54,164	51,138
Cost of sales		(216,497)	(214,987)	–	–
Gross profit		111,459	89,571	54,164	51,138
Other income		9,986	11,146	67	16
Administrative expenses		(45,000)	(41,281)	(1,893)	(1,435)
Other expenses		(626)	(3,176)	–	–
Results from operating activities		75,819	56,260	52,338	49,719
Finance costs		(1,073)	(277)	–	–
Operating profit		74,746	55,983	52,338	49,719
Share of profit/(loss) of equity-accounted associate, net of tax	6	39	(110)	–	–
Profit before tax	18	74,785	55,873	52,338	49,719
Tax expense	20	(4,668)	(4,726)	(62)	(62)
Profit for the year		70,117	51,147	52,276	49,657

Statements Of Profit Or Loss And Other Comprehensive Income (cont'd)

for the year ended 31 December 2018

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Other comprehensive income/(expense), net of tax					
Item that will not be reclassified subsequently to profit or loss					
Net change in fair value of equity investments designated at fair value through other comprehensive income ("FVOCI")		(569)	–	(194)	–
Items that are or may be reclassified subsequently to profit or loss					
Foreign currency translation differences for foreign operations		500	(2,184)	–	–
Fair value of available-for-sale financial assets		–	437	–	11
		500	(1,747)	–	11
Other comprehensive (expense)/income for the year, net of tax	21	(69)	(1,747)	(194)	11
Total comprehensive income for the year		70,048	49,400	52,082	49,668
Profit attributable to :					
Owners of the Company		70,117	51,147	52,276	49,657
Total comprehensive income attributable to :					
Owners of the Company		70,048	49,400	52,082	49,668
Basic earnings per ordinary share (sen)	22	10.50	7.72	–	–
Diluted earnings per ordinary share (sen)	22	10.49	7.70	–	–

The notes on pages 61 to 128 are an integral part of these financial statements.

Consolidated Statement Of Changes In Equity
for the year ended 31 December 2018

	Attributable to owners of the Company							
		Non-distributable					Distributable	
	Share capital RM'000	Share premium RM'000	Share option reserve RM'000	Capital reserve RM'000	Fair value reserve RM'000	Translation reserve RM'000	Retained earnings RM'000	Total equity RM'000
At 1 January 2017	140,947	24,163	2,940	32	219	4,715	91,131	264,147
Foreign currency translation differences for foreign operations	–	–	–	–	–	(2,184)	–	(2,184)
Fair value of available-for-sale financial assets	–	–	–	–	437	–	–	437
Total other comprehensive income/(expense) for the year	–	–	–	–	437	(2,184)	–	(1,747)
Profit for the year	–	–	–	–	–	–	51,147	51,147
Total comprehensive income/(expense) for the year	–	–	–	–	437	(2,184)	51,147	49,400
Contributions by and distributions to owners of the Company								
Issuance of new ordinary shares pursuant to ESOS 2014	11,907	36	–	–	–	–	–	11,943
Share-based payment transactions (Note 24)	–	–	1,309	–	–	–	–	1,309
Dividends to owners of the Company (Note 23)	–	–	–	–	–	–	(45,454)	(45,454)
Total transactions with owners of the Company	11,907	36	1,309	–	–	–	(45,454)	(32,202)
Transition to no-par value regime on 31 January 2017	24,199	(24,199)	–	–	–	–	–	–
Transfer to share capital for share options exercised	1,851	–	(1,851)	–	–	–	–	–
At 31 December 2017	178,904	–	2,398	32	656	2,531	96,824	281,345
	Note 12	Note 13						

Consolidated Statement Of Changes In Equity (cont'd)
for the year ended 31 December 2018

	Attributable to owners of the Company						
		Non-distributable				Distributable	
	Share capital RM'000	Share option reserve RM'000	Capital reserve RM'000	Fair value reserve RM'000	Translation reserve RM'000	Retained earnings RM'000	Total equity RM'000
At 1 January 2018	178,904	2,398	32	656	2,531	96,824	281,345
Foreign currency translation differences for foreign operations	–	–	–	–	500	–	500
Net change in fair value of equity investment designated at FVOCI	–	–	–	(569)	–	–	(569)
Total other comprehensive (expense)/income for the year	–	–	–	(569)	500	–	(69)
Profit for the year	–	–	–	–	–	70,117	70,117
Total comprehensive (expense)/income for the year	–	–	–	(569)	500	70,117	70,048
Contributions by and distributions to owners of the Company							
Issuance of new ordinary shares pursuant to ESOS 2014	5,878	–	–	–	–	–	5,878
Share-based payment transactions (Note 24)	–	1,092	–	–	–	–	1,092
Dividends to owners of the Company (Note 23)	–	–	–	–	–	(57,218)	(57,218)
Capital redemption reserve	–	–	9	–	–	(9)	–
Total transactions with owners of the Company	5,878	1,092	9	–	–	(57,227)	(50,248)
Transfer to share capital for share options exercised	990	(990)	–	–	–	–	–
At 31 December 2018	185,772	2,500	41	87	3,031	109,714	301,145
	Note 12	Note 13					

The notes on pages 61 to 128 are an integral part of these financial statements.

Statement Of Changes In Equity

for the year ended 31 December 2018

	← Attributable to owners of the Company				→	
		← Non-distributable		→	Distributable	
	Share capital RM'000	Share premium RM'000	Share option reserve RM'000	Fair value reserve RM'000	Retained earnings RM'000	Total equity RM'000
At 1 January 2017	140,947	24,163	2,940	160	9,423	177,633
Fair value of available-for-sale financial assets representing total other comprehensive income for the year	–	–	–	11	–	11
Profit for the year	–	–	–	–	49,657	49,657
Total comprehensive income for the year	–	–	–	11	49,657	49,668
Contributions by and distributions to owners of the Company						
Issuance of new ordinary shares pursuant to ESOS 2014	11,907	36	–	–	–	11,943
Share-based payment transactions (Note 24)	–	–	1,309	–	–	1,309
Dividends to owners of the Company (Note 23)	–	–	–	–	(45,454)	(45,454)
Total transactions with owners of the Company	11,907	36	1,309	–	(45,454)	(32,202)
Transition to no-par value regime on 31 January 2017	24,199	(24,199)	–	–	–	–
Transfer to share capital for share options exercised	1,851	–	(1,851)	–	–	–
At 31 December 2017	178,904	–	2,398	171	13,626	195,099
	Note 12	←	Note 13		→	

Statement Of Changes In Equity (cont'd)
for the year ended 31 December 2018

	Attributable to owners of the Company				
		Non–distributable		Distributable	
	Share capital RM'000	Share option reserve RM'000	Fair value reserve RM'000	Retained earnings RM'000	Total equity RM'000
At 1 January 2018	178,904	2,398	171	13,626	195,099
Net change in fair value of equity investment designated at FVOCI	–	–	(194)	–	(194)
Profit for the year	–	–	–	52,276	52,276
Total comprehensive (expense)/income for the year	–	–	(194)	52,276	52,082
Contributions by and distributions to owners of the Company					
Issuance of new ordinary shares pursuant to ESOS 2014	5,878	–	–	–	5,878
Share-based payment transactions (Note 24)	–	1,092	–	–	1,092
Dividends to owners of the Company (Note 23)	–	–	–	(57,218)	(57,218)
Total transactions with owners of the Company	5,878	1,092	–	(57,218)	(50,248)
Transfer to share capital for share options exercised	990	(990)	–	–	–
At 31 December 2018	185,772	2,500	(23)	8,684	196,933
	Note 12	Note 13			

The notes on pages 61 to 128 are an integral part of these financial statements.

Statements Of Cash Flows
for the year ended 31 December 2018

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Cash flows from operating activities					
Profit before tax from continuing operations		74,785	55,873	52,338	49,719
Adjustments for :					
Depreciation of :					
- property, plant and equipment	3	37,022	28,482	–	–
- investment property	4	257	257	–	–
Property, plant and equipment written off	18	100	3	–	–
Impairment loss on property, plant and equipment	3	3,042	94	–	–
Net impairment loss on financial assets		302	–	–	–
Gain on disposal of property, plant and equipment	18	(7)	(1,155)	–	–
Dividends from subsidiaries	17	–	–	(53,107)	(49,701)
Interest income	18	(2,937)	(3,438)	(1,057)	(1,437)
Amortisation of deferred income	14	(3,151)	(3,007)	–	–
Share of (profit)/loss of equity-accounted associate, net of tax		(39)	110	–	–
Share-based payments	24	1,092	1,309	–	–
Interest expense		1,073	277	–	–
Unrealised loss/(gain) on foreign exchange for loans and borrowings		441	(1,874)	–	–
Operating profit/(loss) before changes in working capital		111,980	76,931	(1,826)	(1,419)
Change in inventories		894	(4,577)	–	–
Change in trade and other receivables		19,759	(54,116)	13	28
Change in trade and other payables		(11,424)	19,099	(93)	275
Cash generated from/(used in) operations		121,209	37,337	(1,906)	(1,116)
Interest received		–	–	1,057	1,437
Dividends received from subsidiaries		–	–	53,107	49,701
Tax paid		(5,310)	(6,026)	(62)	(63)
Net cash from operating activities		115,899	31,311	52,196	49,959

Statements Of Cash Flows (cont'd)
for the year ended 31 December 2018

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Cash flows from investing activities					
Acquisition of :					
- property, plant and equipment	A	(35,890)	(103,847)	–	–
- other investments		(1,181)	(116)	(1,181)	(116)
Proceeds from disposal of :					
- other investments		1,000	393	1,000	393
- property, plant and equipment		10	1,697	–	–
Interest received		2,937	3,438	–	–
Additional investment in a subsidiary		–	–	–	(24,000)
Net cash used in investing activities		(33,124)	(98,435)	(181)	(23,723)
Cash flows from financing activities					
Dividends paid to owners of the Company	23	(57,218)	(45,454)	(57,218)	(45,454)
Drawdown of term loans		18,660	15,251	–	–
Repayment of term loans		(21,398)	(12,513)	–	–
(Repayment)/Drawdown of other borrowings, net	15.2	(23,957)	50,332	–	–
Proceeds from issue of ordinary shares		5,878	11,943	5,878	11,943
Interest paid		(1,073)	(277)	–	–
Grants received	14	637	333	–	–
Net cash (used in)/from financing activities		(78,471)	19,615	(51,340)	(33,511)
Net increase/(decrease) in cash and cash equivalents		4,304	(47,509)	675	(7,275)
Effect of exchange rate fluctuations on cash held		351	(1,781)	–	–
Cash and cash equivalents at 1 January		116,352	165,642	27,411	34,686
Cash and cash equivalents at 31 December	11	121,007	116,352	28,086	27,411

NOTE

A. Acquisition of property, plant and equipment

During the financial year, the Group acquired property, plant and equipment with an aggregate cost of RM35.50 million (2017 : RM106.62 million), of which RM6.23 million (2017 : RM6.61 million) remained unpaid at the reporting date. The total of RM35.89 million (2017 : RM103.84 million) was paid by cash.

The notes on pages 61 to 128 are an integral part of these financial statements.

Notes To The Financial Statements

Globetronics Technology Bhd is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The addresses of the principal place of business and registered office of the Company are as follows :

Principal place of business

Plot 2, Phase 4
Free Industrial Zone
Bayan Lepas
11900 Penang

Registered office

51-21-A, Menara BHL Bank
Jalan Sultan Ahmad Shah
10050 Penang

The consolidated financial statements of the Company as at and for the financial year ended 31 December 2018 comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities") and the Group's interest in an associate.

The Company is principally engaged in investment holding activities while the other Group entities are primarily involved in the assembly and testing of integrated circuits, optoelectronic products and chip carrier quartz crystal products, manufacturing of small outline components, LED components and modules, technical plating services, assembly of sensors and optical products, trading of electronics/semiconductor components, provision of computer hardware and software, system solutions and consultations and investment holding.

These financial statements were authorised for issue by the Board of Directors on 26 March 2019.

1. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements of the Group and the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

The following are accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Group and the Company :

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2019

- MFRS 16, *Leases*
- IC Interpretation 23, *Uncertainty over Income Tax Treatments*
- Amendments to MFRS 3, *Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 9, *Financial Instruments - Prepayment Features with Negative Compensation*
- Amendments to MFRS 11, *Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle) #*
- Amendments to MFRS 112, *Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 119, *Employee Benefits - Plan Amendments, Curtailment or Settlement*
- Amendments to MFRS 123, *Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures - Long-term Interests in Associates and Joint Ventures*

1. Basis of preparation (cont'd)

(a) Statement of compliance (cont'd)

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2020
- Amendments to MFRS 3, *Business Combinations - Definition of a Business*
- Amendments to MFRS 101, *Presentation of Financial Statements* and *MFRS 108, Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2021
- MFRS 17, *Insurance Contracts*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed
- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The Group and the Company plan to apply the abovementioned accounting standards, amendments and interpretations :

- from the annual period beginning on 1 January 2019 for those accounting standard, amendments and interpretation that are effective for annual periods beginning on or after 1 January 2019, except for those indicated with "#" which is not applicable to the Group and the Company.
- from the annual period beginning on 1 January 2020 for those amendments that are effective for annual periods beginning on or after 1 January 2020.

The Group and the Company do not plan to apply MFRS 17, *Insurance Contracts* that is effective for annual periods beginning on 1 January 2021 as it is not applicable to the Group and the Company.

The initial application of the accounting standards, amendments or interpretations are not expected to have any material financial impacts to the current period and prior period financial statements of the Group and the Company except as mentioned below :

MFRS 16, *Leases*

MFRS 16 replaces the guidance in MFRS 117, *Leases*, IC Interpretation 4, *Determining whether an Arrangement contains a Lease*, IC Interpretation 115, *Operating Leases - Incentives* and IC Interpretation 127, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease.*

MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard which continues to be classified as finance or operating lease.

The Group has assessed the estimated impact that the initial application of MFRS 16 will have on its consolidated financial statements as at 1 January 2019 and does not expect material financial impact on its consolidated financial statements.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis other than as disclosed in Note 2.

(c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency. All financial information is presented in RM and has been rounded to the nearest thousand, unless otherwise stated.

1. Basis of preparation (cont'd)

(d) Use of estimates and judgements

The preparation of the financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements.

2. Significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements and have been applied consistently by Group entities, unless otherwise stated.

Arising from the adoption of MFRS 15, *Revenue from Contracts with Customers* and MFRS 9, *Financial Instruments*, there are changes to the accounting policies of :

i) financial instruments;
ii) revenue recognition; and
iii) impairment losses of financial instruments

as compared to those adopted in previous financial statements. The impacts arising from the changes are disclosed in Note 30.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

2. Significant accounting policies (cont'd)

(a) Basis of consolidation (cont'd)

(ii) Business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as :

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

(iii) Acquisitions of non-controlling interests

The Group accounts for all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

(iv) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity accounted investee or as a financial asset depending on the level of influence retained.

(v) Associates

Associates are entities, including unincorporated entities, in which the Group has significant influence, but not control, over the financial and operating policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method less any impairment losses, unless it is classified as held for sale or distribution. The cost of the investment includes transaction costs. The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the associates, after adjustments if any, to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest including any long-term investments is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associate.

2. Significant accounting policies (cont'd)

(a) Basis of consolidation (cont'd)

(v) Associates (cont'd)

When the Group ceases to have significant influence over an associate, any retained interest in the former associate at the date when significant influence is lost is measured at fair value and this amount is regarded as the initial carrying amount of a financial asset. The difference between the fair value of any retained interest plus proceeds from the interest disposed of and the carrying amount of the investment at the date when equity method is discontinued is recognised in the profit or loss.

When the Group's interest in an associate decreases but does not result in a loss of significant influence, any retained interest is not remeasured. Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to the profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

Investments in associates are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

(vi) Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(vii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with equity-accounted associates are eliminated against the investment to the extent of the Group's interest in the investees. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date, except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of equity instruments where they are measured at fair value through other comprehensive income which are recognised in other comprehensive income.

2. Significant accounting policies (cont'd)

(b) Foreign currency (cont'd)

(i) Foreign currency transactions (cont'd)

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the foreign currency translation reserve ("FCTR") in equity.

(ii) Operations denominated in functional currencies other than Ringgit Malaysia

The assets and liabilities of operations denominated in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at exchange rates at the end of the reporting period, except for goodwill and fair value adjustments arising from business combinations before 1 January 2011 (the date when the Group first adopted MFRS) which are treated as assets and liabilities of the Company. The income and expenses of foreign operations are translated to RM at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the FCTR in equity. However, if the operation is a non-wholly owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence is lost, the cumulative amount in the FCTR related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate that includes a foreign operation while retaining significant influence, the relevant proportion of the cumulative amount is reclassified to profit or loss.

(c) Financial instruments

Unless specifically disclosed below, the Group and the Company generally applied the following accounting policies retrospectively. Nevertheless, as permitted by MFRS 9, *Financial Instruments*, the Group and the Company have elected not to restate the comparatives.

(i) Recognition and initial measurement

A financial asset or a financial liability is recognised in the statements of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

Current financial year

A financial asset (unless it is a trade receivable without significant financing component) or a financial liability is initially measured at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance. A trade receivable without a significant financing component is initially measured at the transaction price.

An embedded derivative is recognised separately from the host contract where the host contract is not a financial asset, and accounted for separately if, and only if, the derivative is not closely related to the economic characteristics and risks of the host contract and the host contract is not measured at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

2. Significant accounting policies (cont'd)

(c) Financial instruments (cont'd)

(i) Recognition and initial measurement (cont'd)

Previous financial year

Financial instrument was recognised initially, at its fair value plus or minus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that were directly attributable to the acquisition or issue of the financial instrument.

An embedded derivative was recognised separately from the host contract and accounted for as a derivative if, and only if, it was not closely related to the economic characteristics and risks of the host contract and the host contract was not recognised as fair value through profit or loss. The host contract, in the event an embedded derivative was recognised separately, was accounted for in accordance with policy applicable to the nature of the host contract.

(ii) Financial instrument categories and subsequent measurement

Financial assets

Current financial year

Categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless the Group or the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

(a) Amortised cost

Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial assets are not designated as fair value through profit or loss. Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets (see Note 2(l)(i)) where the effective interest rate is applied to the amortised cost.

(b) Fair value through other comprehensive income

(i) Debt investments

Fair value through other comprehensive income category comprises debt investment where it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the debt investment, and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The debt investment is not designated as at fair value through profit or loss. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets (see Note 2(l)(i)) where the effective interest rate is applied to the amortised cost.

2. Significant accounting policies (cont'd)

(c) Financial instruments (cont'd)

(ii) Financial instrument categories and subsequent measurement (cont'd)

Financial assets (cont'd)

Current financial year (cont'd)

(b) Fair value through other comprehensive income (cont'd)

(ii) Equity investments

This category comprises investment in equity that is not held for trading, and the Group and the Company irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of investment. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are not reclassified to profit or loss.

(c) Fair value through profit or loss

All financial assets not measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss. This includes derivative financial assets (except for a derivative that is a designated and effective hedging instrument). On initial recognition, the Group or the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets categorised as fair value through profit or loss are subsequently measured at their fair value. Net gains or losses, including any interest or dividend income, are recognised in the profit or loss.

All financial assets, except for those measured at fair value through profit or loss and equity investments measured at fair value through other comprehensive income, are subject to impairment assessment (see Note 2(l)(i)).

Previous financial year

In the previous financial year, financial assets of the Group and the Company were classified and measured under MFRS 139, *Financial Instruments: Recognition and Measurement* as follows :

(a) Financial assets at fair value through profit or loss

Fair value through profit or loss category comprised financial assets that were held for trading, including derivatives (except for a derivative that was a financial guarantee contract or a designated and effective hedging instrument), contingent consideration in a business combination or financial assets that were specifically designated into this category upon initial recognition.

Derivatives that were linked to and must be settled by delivery of unquoted equity instruments whose fair values could not be reliably measured were measured at cost.

Other financial assets categorised as fair value through profit or loss were subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(b) Loans and receivables

Loans and receivables category comprised debt instruments that were not quoted in an active market, trade and other receivables and cash and cash equivalents.

Financial assets categorised as loans and receivables were subsequently measured at amortised cost using the effective interest method.

2. Significant accounting policies (cont'd)

(c) Financial instruments (cont'd)

(ii) Financial instrument categories and subsequent measurement (cont'd)

Financial assets (cont'd)

Previous financial year (cont'd)

(c) Available-for-sale financial assets

Available-for-sale category comprised investments in equity and debt instruments that were not held for trading.

Investments in equity instruments that did not have a quoted market price in an active market and whose fair value could not be reliably measured were measured at cost. Other financial assets categorised as available-for-sale were subsequently measured at their fair values with the gain or loss recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses arising from monetary items and gains and losses of hedged items attributable to hedge risks of fair value hedges which were recognised in profit or loss. On derecognition, the cumulative gain or loss recognised in other comprehensive income was reclassified from equity into profit or loss. Interest calculated for a debt instrument using the effective interest method was recognised in profit or loss.

All financial assets, except for those measured at fair value through profit or loss, were subject to impairment assessment (see Note (2)(l)(i)).

Financial liabilities

Current financial year

The categories of financial liabilities at initial recognition are as follows :

(a) Fair value through profit or loss

Fair value through profit or loss category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument), contingent consideration in a business combination and financial liabilities that are specifically designated into this category upon initial recognition.

On initial recognition, the Group or the Company may irrevocably designate a financial liability that otherwise meets the requirements to be measured at amortised cost as at fair value through profit or loss :

(a) if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise;
(b) a group of financial liabilities or assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the Group’s key management personnel; or
(c) if a contract contains one or more embedded derivatives and the host is not a financial asset in the scope of MFRS 9, where the embedded derivative significantly modifies the cash flows and separation is not prohibited.

Financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair value with gains or losses, including any interest expense are recognised in the profit or loss.

For financial liabilities where it is designated as fair value through profit or loss upon initial recognition, the Group and the Company recognise the amount of change in fair value of the financial liability that is attributable to change in credit risk in the other comprehensive income and remaining amount of the change in fair value in the profit or loss, unless the treatment of the effects of changes in the liability’s credit risk would create or enlarge an accounting mismatch.

2. Significant accounting policies (cont'd)

(c) Financial instruments (cont'd)

(ii) Financial instrument categories and subsequent measurement (cont'd)

Financial liabilities (cont'd)

Current financial year (cont'd)

(b) Amortised cost

Other financial liabilities not categorised as fair value through profit or loss are subsequently measured at amortised cost using the effective interest method.

Interest expense and foreign exchange gains and losses are recognised in the profit or loss. Any gains or losses on derecognition are also recognised in the profit or loss.

Previous financial year

In the previous financial year, financial liabilities of the Group and the Company were subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprised financial liabilities that were derivatives or financial liabilities that were specifically designated into this category upon initial recognition.

Derivatives that were linked to and must be settled by delivery of unquoted equity instruments that did not have a quoted price in an active market for identical instruments whose fair values otherwise could not be reliably measured were measured at cost.

Financial liabilities categorised as fair value through profit or loss were subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(iii) Regular way purchase or sale of financial assets

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date or settlement date accounting in the current year.

Trade date accounting refers to :

(a) the recognition of an asset to be received and the liability to pay for it on the trade date, and
(b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

Settlement date accounting refers to :

(a) the recognition of an asset on the day it is received by the Group or the Company, and
(b) derecognition of an asset and recognition of any gain or loss on disposal on the day that is delivered by the Group or the Company.

Any change in the fair value of the asset to be received during the period between the trade date and the settlement date is accounted in the same way as it accounts for the acquired asset.

Generally, the Group or the Company applies settlement date accounting unless otherwise stated for the specific class of asset.

2. Significant accounting policies (cont'd)

(c) Financial instruments (cont'd)

(iv) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Current financial year

Financial guarantees issued are initially measured at fair value. Subsequently, they are measured at higher of :

- the amount of the loss allowance; and
- the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance to the principles of MFRS 15, *Revenue from Contracts with Customers.*

Liabilities arising from financial guarantees are presented together with other provisions.

Previous financial year

In the previous financial year, fair value arising from financial guarantee contracts were classified as deferred income and was amortised to profit or loss using a straight-line method over the contractual period or, when there was no specified contractual period, recognised in profit or loss upon discharge of the guarantee. When settlement of a financial guarantee contract was probable, an estimate of the obligation was made. If the carrying value of the financial guarantee contract was lower than the obligation, the carrying value was adjusted to the obligation amount and accounted for as a provision.

(v) Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or transferred, or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount of the financial asset and the sum of consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. A financial liability is also derecognised when its terms are modified and the cash flows of the modified liability are substantially different, in which case, a new financial liability based on modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(vi) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statements of financial position when, and only when, the Group and the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and liability simultaneously.

(d) Property, plant and equipment

(i) Recognition and measurement

Freehold land is stated at cost. Other items of property, plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

2. Significant accounting policies (cont'd)

(d) Property, plant and equipment (cont'd)

(i) Recognition and measurement (cont'd)

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged between knowledgeable willing parties in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of other items of plant and equipment is based on the quoted market prices for similar items when available and replacement cost when appropriate.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within "other income" or "other expenses" respectively in profit or loss.

(ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group or the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment from the date that they are available for use. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Freehold land is not depreciated. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

The estimated useful lives for the current and comparative periods are as follows :

	%
Buildings and factory improvements	2 - 20
Plant and equipment *	10 - 33.33
Motor vehicles, office equipment, furniture and fixtures	10 - 20

* The Group depreciates certain plant and equipment over the expected production output to be derived from those plant and equipment of which the expected usage of these assets by the Group ranges from 3 to 7 years.

2. Significant accounting policies (cont'd)

(d) Property, plant and equipment (cont'd)

(iii) Depreciation (cont'd)

Leasehold land are amortised over the term of leases ranging from 60 to 99 years.

Depreciation methods, useful lives and residual values are reviewed at end of the reporting period, and adjusted as appropriate.

Periodically, the Group will review the estimated useful life of its plant and machinery especially those specific plant and machinery to match the life cycle of the products.

(e) Leased assets

(i) Finance lease

Leases in terms of which the Group or the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Leasehold land which in substance is a finance lease is classified as property, plant and equipment, or as investment property if held to earn rental income or for capital appreciation or for both.

(ii) Operating lease

Leases, where the Group or the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the statements of financial position. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

Leasehold land which in substance is an operating lease is classified as prepaid lease payments.

(f) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss as incurred.

Expenditure on development activities, whereby the application of research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the asset.

2. Significant accounting policies (cont'd)

(f) Research and development (cont'd)

The expenditure capitalised includes the cost of materials, direct labour and overheads costs that are directly attributable to preparing the asset for its intended use. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. Other development expenditure is recognised in profit or loss as incurred.

Capitalised development expenditure is measured at cost less any accumulated amortisation and any accumulated impairment losses.

(g) Investment properties

Investment properties are properties which are owned or held under a leasehold interest to earn rental income or for capital appreciation or for both but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Properties that are occupied by the companies in the Group are accounted for as owner-occupied rather than as investment properties.

Investment properties are measured at cost less any accumulated depreciation and any accumulated impairment losses and are accounted for similarly to property, plant and equipment. Depreciation is charged on a straight-line basis over the estimated useful life of 50 years.

(h) Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories is calculated using the first-in, first-out method, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of work-in-progress and manufactured inventories, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(i) Contract asset/Contract liability

A contract asset is recognised when the Group’s or the Company’s right to consideration is conditional on something other than the passage of time. A contract asset is subject to impairment in accordance to MFRS 9, Financial Instruments (see Note 2(l)(i)).

A contract liability is stated at cost and represents the obligation of the Group or the Company to transfer goods or services to a customer for which consideration has been received (or the amount is due) from the customers.

(j) Contract cost

(i) Incremental cost of obtaining a contract

The Group or the Company recognises incremental costs of obtaining contracts when the Group or the Company expects to recover these costs.

(ii) Cost to fulfil a contract

The Group or the Company recognises a contract cost that relate directly to a contract or to an anticipated contract as an asset when the cost generates or enhances resources of the Group or the Company, will be used in satisfying performance obligations in the future and it is expected to be recovered.

These contract costs are initially measured at cost and amortised on a systematic basis that is consistent with the pattern of revenue recognition to which the asset relates. An impairment loss is recognised in the profit and loss when the carrying amount of the contract cost exceeds the expected revenue less expected cost that will be incurred. Where the impairment condition no longer exists or has improved, the impairment loss is reversed to the extent that the carrying amount of the contract cost does not exceed the amount that would have been recognised had there been no impairment loss recognised previously.

2. Significant accounting policies (cont'd)

(k) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the Group and the Company in the management of their short term commitments. For the purpose of the statements of cash flows, cash and cash equivalents are presented net of bank overdrafts.

(l) Impairment

(i) Financial assets

Unless specifically disclosed below, the Group and the Company generally applied the following accounting policies retrospectively. Nevertheless, as permitted by MFRS 9, *Financial Instruments*, the Group and the Company elected not to restate the comparatives.

Current financial year

The Group and the Company recognise loss allowances for expected credit losses on financial assets measured at amortised cost, debt investments measured at fair value through other comprehensive income, contract assets and lease receivables. Expected credit losses are a probability-weighted estimate of credit losses.

The Group and the Company measure loss allowances at an amount equal to lifetime expected credit loss, except for debt securities that are determined to have low credit risk at the reporting date, cash and bank balance and other debt securities for which credit risk has not increased significantly since initial recognition, which are measured at 12-month expected credit loss. Loss allowances for trade receivables, contract assets and lease receivables are always measured at an amount equal to lifetime expected credit loss.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Group and the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information, where available.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of the asset, while 12-month expected credit losses are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date. The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group and the Company are exposed to credit risk.

The Group and the Company estimate the expected credit losses on trade receivables using a provision matrix with reference to historical credit loss experience.

An impairment loss in respect of financial assets measured at amortised cost is recognised in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of debt investments measured at fair value through other comprehensive income is recognised in profit or loss and the allowance account is recognised in other comprehensive income.

At each reporting date, the Group and the Company assess whether financial assets carried at amortised cost and debt securities at fair value through other comprehensive income are credit-impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The gross carrying amount of a financial asset is written off (either partially or full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group or the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's or the Company's procedures for recovery amounts due.

2. Significant accounting policies (cont'd)

(l) Impairment (cont'd)

(i) Financial assets (cont'd)

Previous financial year

All financial assets (except for financial assets categorised as fair value through profit or loss, investments in subsidiaries and associate) were assessed at each reporting date whether there was any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, were not recognised. For an investment in an equity instrument, a significant or prolonged decline in the fair value below its cost was an objective evidence of impairment. If any such objective evidence exists, then the impairment loss of the financial asset was estimated.

An impairment loss in respect of loans and receivables was recognised in profit or loss and was measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset was reduced through the use of an allowance account.

An impairment loss in respect of available-for-sale financial assets was recognised in profit or loss and was measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset had been recognised in the other comprehensive income, the cumulative loss in other comprehensive income was reclassified from equity to profit or loss.

An impairment loss in respect of unquoted equity instrument that was carried at cost was recognised in profit or loss and was measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available for sale was not reversed through profit or loss.

If, in a subsequent period, the fair value of a debt instrument increases and the increase could be objectively related to an event occurring after impairment loss was recognised in profit or loss, the impairment loss was reversed, to the extent that the asset's carrying amount did not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment was reversed. The amount of the reversal was recognised in profit or loss.

(ii) Other assets

The carrying amounts of other assets (except for inventories and deferred tax asset) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units. Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a cash-generating unit or a group of cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

2. Significant accounting policies (cont'd)

(l) Impairment (cont'd)

(ii) Other assets (cont'd)

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (groups of cash-generating units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

(m) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

(i) Issue expenses

Costs directly attributable to the issue of instruments classified as equity are recognised as a deduction from equity.

(ii) Ordinary shares

Ordinary shares are classified as equity.

(iii) Distributions of assets to owners of the Company

The Group measures a liability to distribute assets as a dividend to the owners of the Company at the fair value of the assets to be distributed. The carrying amount of the dividend is remeasured at each reporting period and at the settlement date, with any changes recognised directly in equity as adjustments to the amount of the distribution. On settlement of the transaction, the Group recognises the difference, if any, between the carrying amount of the assets distributed and the carrying amount of the liability in profit or loss.

(n) Employee benefits

(i) Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) State plans

The Group's contributions to statutory pension funds are charged to profit or loss in the financial year to which they relate. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

2. Significant accounting policies (cont'd)

(n) Employee benefits (cont'd)

(iii) Share-based payment transactions

The grant date fair value of share-based payment granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

The fair value of the employee share options is measured using a binomial lattice model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

(o) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

(p) Revenue and other income

(i) Revenue

Revenue is measured based on the consideration specified in a contract with a customer in exchange for transferring goods or services to a customer, excluding amounts collected on behalf of third parties. The Group or the Company recognises revenue when (or as) it transfers control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of the asset.

The Group or the Company transfers control of a good or service at a point in time unless one of the following over time criteria is met :

(a) the customer simultaneously receives and consumes the benefits provided as the Group or the Company performs;
(b) the Group's or the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
(c) the Group's or the Company's performance does not create an asset with an alternative use and the Group or the Company has an enforceable right to payment for performance completed to date.

(ii) Rental income

Rental income from investment property is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Rental income from sub-leased property is recognised as other income.

2. Significant accounting policies (cont'd)

(p) Revenue and other income (cont'd)

(iii) Government grants

Government grants are recognised initially as deferred income at fair value when there is reasonable assurance that they will be received and that the Group will comply with the conditions associated with the grant; they are then recognised in profit or loss as other income on a systematic basis over the useful life of the asset.

Grants that compensate the Group for expenses incurred are recognised in profit or loss as other income on a systematic basis in the same period in which the expenses are recognised.

(iv) Dividend income

Dividend income is recognised in profit or loss on the date that the Group's or the Company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

(v) Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss except for interest income arising from temporary investment of borrowings taken specifically for the purpose of obtaining a qualifying asset which is accounted for in accordance with the accounting policy on borrowing costs.

(q) Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

(r) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statements of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

2. Significant accounting policies (cont'd)

(r) Income tax (cont'd)

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unutilised investment tax allowance being tax incentives that is not a tax base of an asset, is recognised as a deferred tax asset to the extent that it is probable that the future taxable profits will be available against the unutilised tax incentive can be utilised.

(s) Earnings per ordinary share

The Group presents basic and diluted earnings per share data for its ordinary shares ("EPS").

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

(t) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. Operating segment results are reviewed regularly by the chief operating decision maker, which in this case is the Chief Executive Officer of the Group, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

(u) Contingencies

(i) Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statements of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(ii) Contingent assets

When an inflow of economic benefit of an asset is probable where it arises from past events and where existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity, the asset is not recognised in the statements of financial position but is being disclosed as a contingent asset. When the inflow of economic benefit is virtually certain, then the related asset is recognised.

2. Significant accounting policies (cont'd)

(v) Fair value measurements

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair value is categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows :

Level 1 :	quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
Level 2 :	inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3 :	unobservable inputs for the asset or liability.

The Group recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

3. Property, plant and equipment - Group

	Land	Buildings and factory improvements	Plant and equipment	Motor vehicles, office equipment, furniture and fixtures	Capital work-in-progress	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cost						
At 1 January 2017	13,212	53,245	241,477	33,871	56	341,861
Additions	–	624	98,402	1,747	5,851	106,624
Disposals	–	(52)	(17,164)	(1,176)	–	(18,392)
Write off	–	(675)	(385)	(491)	–	(1,551)
Reclassifications	–	–	509	–	(509)	–
At 31 December 2017/1 January 2018	13,212	53,142	322,839	33,951	5,398	428,542
Additions	–	352	28,670	421	6,060	35,503
Disposals	–	(6)	(23,317)	(146)	–	(23,469)
Write off	–	(7)	(2,752)	(137)	–	(2,896)
Reclassifications	–	–	5,406	–	(5,406)	–
At 31 December 2018	13,212	53,481	330,846	34,089	6,052	437,680

3. Property, plant and equipment - Group (cont'd)

	Land RM'000	Buildings and factory improvements RM'000	Plant and equipment RM'000	Motor vehicles, office equipment, furniture and fixtures RM'000	Capital work-in-progress RM'000	Total RM'000
Depreciation and impairment losses						
At 1 January 2017						
Accumulated depreciation	2,023	31,885	203,272	26,556	–	263,736
Accumulated impairment losses	–	270	4,523	730	–	5,523
	2,023	32,155	207,795	27,286	–	269,259
Depreciation for the year	138	1,182	24,993	2,169	–	28,482
Impairment loss during the year	–	–	94	–	–	94
Disposals	–	(52)	(16,623)	(1,175)	–	(17,850)
Write off	–	(674)	(383)	(491)	–	(1,548)
At 31 December 2017						
Accumulated depreciation	2,161	32,341	211,341	27,059	–	272,902
Accumulated impairment losses	–	270	4,535	730	–	5,535
	2,161	32,611	215,876	27,789	–	278,437

3. Property, plant and equipment - Group (cont'd)

	Land	Buildings and factory improvements	Plant and equipment	Motor vehicles, office equipment, furniture and fixtures	Capital work-in-progress	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Depreciation and impairment losses (cont'd)						
At 1 January 2018						
Accumulated depreciation	2,161	32,341	211,341	27,059	–	272,902
Accumulated impairment losses	–	270	4,535	730	–	5,535
	2,161	32,611	215,876	27,789	–	278,437
Depreciation for the year	138	1,130	33,490	2,264	–	37,022
Impairment loss during the year	–	4	2,575	463	–	3,042
Disposals	–	(5)	(23,317)	(144)	–	(23,466)
Write off	–	(7)	(2,652)	(137)	–	(2,796)
At 31 December 2018						
Accumulated depreciation	2,299	33,459	218,862	29,042	–	283,662
Accumulated impairment losses	–	274	7,110	1,193	–	8,577
	2,299	33,733	225,972	30,235	–	292,239
Carrying amounts						
At 1 January 2017	11,189	21,090	33,682	6,585	56	72,602
At 31 December 2017/1 January 2018	11,051	20,531	106,963	6,162	5,398	150,105
At 31 December 2018	10,913	19,748	104,874	3,854	6,052	145,441

3. Property, plant and equipment - Group (cont'd)

3.1 Impairment of property, plant and equipment

The Group assesses its assets whenever there are indications of impairment. For the financial year ended 31 December 2018, the Group had re-assessed the recoverable amount of a number of assets related to the production of certain end of life product lines. Based on the assessment, the recoverable amounts of the assets were lower than their carrying amounts, therefore, the carrying amount of the assets was impaired by RM3,042,000 (2017: RM94,000) during the financial year.

4. Investment property - Group

	RM'000
Cost	
At 1 January 2017/31 December 2017/1 January 2018 /31 December 2018	12,840
Accumulated depreciation	
At 1 January 2017	5,476
Depreciation for the year	257
At 31 December 2017/1 January 2018	5,733
Depreciation for the year	257
At 31 December 2018	5,990
Carrying amounts	
At 1 January 2017	7,364
At 31 December 2017/1 January 2018	7,107
At 31 December 2018	6,850

4.1 Fair value information

Investment property comprises a factory building that is leased to an associate of the Group. No contingent rents are charged.

The fair value of the investment property of the Group is based on the Directors' estimation using the latest available market information and recent experience and knowledge in the location and category of property being valued. The fair value of the investment property of the Group as at 31 December 2018 is classified as level 3 fair value, estimated at approximately RM14.6 million (2017 : RM14.6 million).

4. Investment property - Group (cont'd)

4.1 Fair value information (cont'd)

Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the investment property.

Estimation uncertainty and key assumptions

The Directors estimate the fair value of the Group's investment property based on the following key assumptions :

- Comparison of the Group's investment property with similar properties that were published for sale within the same locality or other comparable localities;
- Enquiries from relevant property valuers and real estate agents on market conditions and changing market trends.

4.2 The following are recognised in profit or loss in respect of investment property :

	2018 RM'000	2017 RM'000
Rental income	1,883	1,883
Direct operating expenses :		
- income generating investment property	413	456

5. Investments in subsidiaries - Company

	2018 RM'000	2017 RM'000
At cost		
Unquoted shares	154,767	154,767
Share-based payments allocated to subsidiaries	9,007	7,915
Less : Impairment loss	(47)	(47)
	163,727	162,635

5. Investments in subsidiaries - Company (cont'd)

Details of the subsidiaries are as follows :

Name of entity	Country of incorporation	Effective ownership interest and voting interest 2018	2017	Principal activities
Globetronics Sdn. Bhd.	Malaysia	100%	100%	Assembly and testing of integrated circuits, optoelectronic products and technical plating services
ISO Technology Sdn. Bhd.	Malaysia	100%	100%	Manufacturing of small outline components, Light-Emiting-Diode ("LED") components and modules, and technical plating services for the semiconductor industry
Globetronics (KL) Sdn. Bhd.	Malaysia	100%	100%	Assembly and testing of plastic moulded and ceramic chip carrier quartz crystal timing devices
Globetronics Manufacturing Sdn. Bhd.	Malaysia	100%	100%	Development and assembly of sensors and optical products for smart mobile and wearable applications
Globetronics (HK) Limited *^	Hong Kong	100%	100%	Trading of electronics/ semiconductor components
Globetronics Industries Sdn. Bhd.	Malaysia	100%	100%	Dormant
Globetronics Medical Technology Sdn. Bhd.	Malaysia	100%	100%	Provision of computer hardware and software, system solutions and consultations
Globetronics International Incorporated #	British Virgin Islands	100%	100%	Investment holding

* Not audited by member firms of KPMG PLT.

\# The unaudited management financial statements were consolidated in the Group's financial statements as the subsidiary was not required by the local legislation to have audited financial statements.

^ Held through Globetronics International Incorporated.

6. Investment in an associate

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
At cost				
Unquoted shares	784	784	784	784
Share of post-acquisition reserves	4,564	4,525	–	–
	5,348	5,309	784	784

Name of entity	**Country of incorporation**	**Effective ownership interest and voting interest**		**Nature of the relationship**
		2018	**2017**	
NGK Globetronics Technology Sdn. Bhd.	Malaysia	49%	49%	Tenant for the investment property of the Group

The following table summarises the information of the Group's associate, adjusted for any differences in accounting policies and reconciles the information to the carrying amount of the Group's interest in the associate.

	2018	**2017**
	RM'000	**RM'000**
Group		
Summarised financial information		
As at 31 December		
Non-current assets	643	952
Current assets	11,724	12,190
Non-current liabilities	(24)	(24)
Current liabilities	(1,428)	(2,283)
Net assets	10,915	10,835
Year ended 31 December		
Profit/(Loss) from continuing operations representing total comprehensive income/(expense)	80	(225)
Included in the total comprehensive income/(expense) is :		
Revenue	23,259	26,319

6. Investment in an associate (cont'd)

	2018 RM'000	2017 RM'000
Reconciliation of net assets to carrying amount as at 31 December		
Group's share of net assets representing carrying amount in the statement of financial position	5,348	5,309
Group's share of results for the year ended 31 December		
Group's share of profit/(loss) from continuing operations representing Group's share of total comprehensive income/(expense)	39	(110)

7. Other investments

	Note	Shares RM'000	Bonds/Funds RM'000	Total RM'000
Non-current				
Group				
2018				
Fair value through other comprehensive income	7.1	2,717	5,474	8,191
2017				
Available-for-sale financial assets		3,016	5,498	8,514

	Bonds/Funds RM'000
Company	
2018	
Fair value through other comprehensive income	5,071
2017	
Available-for-sale financial assets	5,084

7. Other investments (cont'd)

7.1 Equity instruments designated at fair value through other comprehensive income

At 1 January 2018, the Group and the Company designated the investments shown below as equity securities at fair value through other comprehensive income because these equity securities represent investments that the Group intends to hold for long-term strategic purposes. In 2017, these investments were classified as available-for-sale.

	Group	
	Fair value at 31 December 2018	**Dividend income recognised during 2018**
	RM'000	**RM'000**
China Construction Bank	274	13
Industrial and Commercial Bank of China	134	6
Hang Seng China Enterprises	65	2
MSCI China	72	1
Galaxy Entertainment Group Limited	264	5
UBS (LUX) Key selection SICAV	326	27
UBS (LUX) Equity - Global income	344	29
UBS (LUX) Equity - US total yield	410	18
Hong Kong Land Holdings Ltd	210	6
Sprott Physical Gold Trust	386	–
Sprott Physical Silver Trust	232	–
	2,717	107

8. Deferred tax assets - Group

Recognised deferred tax assets

Deferred tax assets are attributable to the following :

	2018	**2017**
	RM'000	**RM'000**
Property, plant and equipment		
- capital allowances	899	1,027
Investment tax allowances carry-forward	–	20
Other items	–	332
	899	1,379

8. Deferred tax assets - Group (cont'd)

Movements in temporary differences during the year

	At 1.1.2017	Recognised in profit or loss (Note 20)	At 31.12.2017/ 1.1.2018	Recognised in profit or loss (Note 20)	At 31.12.2018
	RM'000	RM'000	RM'000	RM'000	RM'000
Property, plant and equipment - capital allowances	652	375	1,027	(128)	899
Investment tax allowances carry-forward	–	20	20	(20)	–
Other items	332	–	332	(332)	–
	984	395	1,379	(480)	899

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items (stated at gross) :

	2018	2017
	RM'000	RM'000
Property, plant and equipment		
- capital allowances	15,261	12,568
Tax losses carry-forward	2,317	803
Investment tax allowances carry-forward	919	1,950
Other deductible temporary differences	5,257	6,327
	23,754	21,648

The tax losses carry-forward, investment tax allowances carry-forward and other deductible temporary differences do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profits will be available against which the Group can utilise the benefits therefrom.

The comparative figures have been restated to reflect the revised capital allowances carry-forward, tax losses carry-forward, investment tax allowances carry-forward and other deductible temporary differences available to the Group.

9. Inventories - Group

	2018	2017
	RM'000	RM'000
Raw materials	7,118	6,921
Work-in-progress	1,474	1,974
Manufactured inventories	317	545
Consumables	2,801	3,186
Trading inventories	909	838
	12,619	13,464

9. Inventories - Group (cont'd)

Recognised in profit or loss :

	2018 RM'000	2017 RM'000
Inventories recognised as cost of sales	216,669	214,406
Write down to net realisable value	334	604
Reversal of write-down	(506)	(23)

The write-down and reversal are included in cost of sales.

10. Trade and other receivables

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Trade					
Trade receivables		72,055	82,060	–	–
Non-trade					
Amount due from a subsidiary	10.1	–	–	4	3
Amount due from an associate	10.1	26	27	–	–
Other receivables	10.2	1,288	9,709	47	66
Deposits		254	248	4	4
Prepayments	10.3	922	2,466	17	12
		2,490	12,450	72	85
		74,545	94,510	72	85

10.1 Amounts due from a subsidiary and an associate

The non-trade amounts due from a subsidiary and an associate are unsecured, interest-free and repayable on demand.

10.2 Other receivables

Included in other receivables of the Group for financial year 2017 was RM7.68 million representing renovation cost paid on behalf of a tenant.

10.3 Prepayments

Included in prepayments of the Group for financial year 2017 was RM1.46 million representing advance payments to suppliers for the purchase of plant and machinery.

11. Cash and cash equivalents

		Group		Company	
		2018	2017	2018	2017
	Note	RM'000	RM'000	RM'000	RM'000
Funds placed with financial institutions :					
- Short-term investment funds	11.1	63,292	58,962	19,230	18,773
- Short-term deposits		25,802	24,745	7,895	7,632
Cash and bank balances		31,913	32,645	961	1,006
Cash and cash equivalents in the statements of financial position		121,007	116,352	28,086	27,411
Market value					
- Short-term investment funds	11.1	63,593	59,133	19,387	18,859

Included in cash and cash equivalents of the Group and the Company are amounts which earn interest as follows :

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Cash and cash equivalents	114,627	102,762	27,905	26,831
Interest rates per annum	0.7% - 4.0%	0.5% - 3.63%	2.69% - 3.80%	2.53% - 3.63%

11.1 Short-term investment funds

Short-term investment funds represent investments in fixed income funds which can be redeemed within a period of less than 31 days.

Included in short-term investment funds of the Group and the Company is an amount of RM54.79 million (2017 : RM46.45 million) and RM19.21 million (2017 : RM16.91 million) respectively representing short-term funds placed in Sukuk and Short Term Islamic Money Market Instruments.

12. Share capital - Group and Company

	2018		2017	
	Number of shares	Amount	Number of shares	Amount
	'000	RM'000	'000	RM'000
Issued and fully paid ordinary shares classified as equity instruments :				
At 1 January	285,304	178,904	281,894	140,947
Issued for cash under ESOS				
- Exercise of ESOS 2014	460	2,100	3,410	13,758
Transition to no-par value regime on 31 January 2017 (Note 12.2)	–	–	–	24,199
	285,764	181,004	285,304	178,904
Subdivision	285,764	–	–	–
	571,528	181,004	285,304	178,904
Bonus issue	95,252	–	–	–
Issued for cash under ESOS				
- Exercise of ESOS 2014	2,253	4,768	–	–
At 31 December	669,033	185,772	285,304	178,904
		Note 12.1		Note 12.1

12.1 Ordinary shares

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.

Included in share capital is share premium amounting to RM386,000 (2017: RM24,199,000) that is available to be utilised in accordance with Section 618(3) of the Companies Act 2016 on or before 30 January 2019 (24 months from commencement of Section 74).

12.2 Share premium

In accordance with Section 618(2) of the Companies Act 2016, any amount standing to the credit of the share premium account has become part of the Company's share capital. The Company has twenty-four months upon the commencement of the Companies Act 2016 on 31 January 2017 to utilise the credit.

13. Reserves

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Non-distributable					
Translation reserve	13.1	3,031	2,531	–	–
Share option reserve	13.2	2,500	2,398	2,500	2,398
Capital reserve		41	32	–	–
Fair value reserve	13.3	87	656	(23)	171
		5,659	5,617	2,477	2,569
Distributable					
Retained earnings		109,714	96,824	8,684	13,626
		115,373	102,441	11,161	16,195

13.1 Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

13.2 Share option reserve

The share option reserve comprises the cumulative value of employee services received for the issue of share options. When the option is exercised, the amount from the share option reserve is transferred to share premium/ share capital (upon commencement of Companies Act 2016 on 31 January 2017). When the share options expire, the amount from the share option reserve is transferred to retained earnings. The details of share options are disclosed in Note 24.

13.3 Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of equity and debt securities designated at fair value through other comprehensive income (2017: available-for-sale financial assets) until the assets are derecognised or impaired.

14. Deferred income - Group

	2018 RM'000	2017 RM'000
Non-current		
Government grants		
At 1 January	6,552	9,226
Additions during the year	637	333
Amortisation during the year (Note 18)	(3,151)	(3,007)
At 31 December	4,038	6,552

The Group received government grants from 2008 to 2018 which were conditional upon acquisition of certain plant and equipment. The grants are being amortised over the useful lives of the plant and equipment.

15. Loans and borrowings - Group

	2018 RM'000	2017 RM'000
Non-current		
Revolving credits - unsecured	4,157	24,402
Current		
Term loans - unsecured	–	2,738
Revolving credits - unsecured	20,785	24,056
	20,785	26,794
	24,942	51,196

15.1 Securities

The term loans were backed by a corporate guarantee of a subsidiary of the Group whilst revolving credits are backed by a corporate guarantee of the Company.

15. Loans and borrowings - Group (cont'd)

15.2 Reconciliation of movement of liabilities of cash flows arising from financing activities

	At 1.1.2017	Net changes from financing cash flows	Foreign exchange movement	At 31.12.2017/ 1.1.2018	Net changes from financing cash flows	Foreign exchange movement	At 31.12.2018
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Term loans	–	2,738	–	2,738	(2,738)	–	–
Other borrowings							
- revolving credits	–	50,332	(1,874)	48,458	(23,957)	441	24,942
	–	53,070	(1,874)	51,196	(26,695)	441	24,942

16. Trade and other payables

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Trade				
Trade payables	6,915	17,295	–	–
Non-trade				
Other payables	23,432	25,343	14	198
Accrued expenses	15,526	14,985	788	697
	38,958	40,328	802	895
	45,873	57,623	802	895

17. Revenue

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Revenue from contracts with customers	326,661	302,932	–	–
Other revenue				
- Dividend income	122	132	53,107	49,701
- Interest income	1,173	1,494	1,057	1,437
	1,295	1,626	54,164	51,138
Total revenue	327,956	304,558	54,164	51,138

17.1 Disaggregation of revenue

The Group's revenue is mainly confined to the manufacture, assembly, testing and sale of integrated circuits, chip carrier quartz crystal products, optoelectronic products, small outline components, LED components and modules, sensors and optical products, electronics/semiconductors components and technical plating services for semiconductor and electronics industries. Revenue disaggregated by geographical region is disclosed in Note 26 to the financial statements.

17.2 Nature of goods and services

Revenue from the sale of products in the course of ordinary activities is typically recognised at the point of sale which coincides with when the Group transfer control over the products to the customers. The customers are granted with a credit period of 60 days from invoice date. Revenue is measured as the amount of consideration to which the Group is expected to be entitled, net of discount and returns. There is no warranty attached to the goods sold by the Group.

17.3 Transaction price allocated to the remaining performance obligations

The Group applies the practical expedient exemption on disclosure of information on remaining performance obligations that have original expected durations of one year or less.

17.4 Significant judgements and assumptions arising from revenue recognition

The Group applies judgements and assumptions that significantly affect the determination of the amount and timing of revenue recognised from contracts with customers whereby the Group permits the customer to return an item, revenue is adjusted for expected returns to the extent that it is highly probable that a significant reversal in revenue will not occur. The Group estimated the returns based on the historical data.

18. Profit before tax

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Profit before tax is arrived at after charging/ (crediting) :				
Auditors' remuneration :				
- Audit fees				
- KPMG PLT in Malaysia				
- current year	154	154	21	21
- prior year	–	13	–	4
- Other auditors	8	9	–	–
- Non-audit fees				
- KPMG PLT in Malaysia	10	13	10	13
- Local affiliate of KPMG PLT in Malaysia	4	4	4	4
Material expense/(income)				
Directors' emoluments				
- Directors of the Company				
- Fees				
- Current Directors	1,038	1,049	723	629
- Past Director	61	91	–	3
- Others	9,181	8,105	–	–
- Other Directors				
- Fees	105	105	–	–
- Others	1,005	950	–	–
Depreciation on :				
- property, plant and equipment	37,022	28,482	–	–
- investment property	257	257	–	–
Impairment loss on :				
- property, plant and equipment	3,042	94	–	–
- trade receivables	302	–	–	–
(Reversal of)/Inventories written down (Note 9)	(172)	581	–	–
Rental expense	2,001	725	–	–
Net foreign exchange (gain)/loss	(987)	1,501	–	–

18. Profit before tax (cont'd)

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Material expense/(income) (cont'd)				
Property, plant and equipment written off	100	3	–	–
Gain on disposal of property, plant and equipment	(7)	(1,155)	–	–
Gross dividends from :				
- Subsidiaries (Note 17)	–	–	(53,107)	(49,701)
- Other investments (Note 17)	(122)	(132)	–	–
Interest income	(2,937)	(3,438)	(1,057)	(1,437)
Rental income	(2,703)	(2,312)	–	–
Amortisation of deferred income (Note 14)	(3,151)	(3,007)	–	–
Personnel expenses (including key management personnel) :				
- Contributions to Employees' Provident Fund	3,023	2,944	–	–
- Share-based payments (Note 24)	1,092	1,309	–	–
- Wages, salaries and others	78,074	58,842	–	–

The estimated monetary value of Directors' benefits-in-kind is RM28,825 (2017 : RM28,825).

19. Key management personnel compensation

The key management personnel compensation are as follows :

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Directors				
- Fees	1,204	1,245	723	632
- Remuneration	8,498	7,515	–	–
- Other short-term employee benefits (including estimated monetary value of benefits-in-kind)	1,482	1,318	–	–
Total short-term employee benefits	11,184	10,078	723	632
Share-based payments	235	251	–	–
	11,419	10,329	723	632

20. Tax expense

Recognised in profit or loss

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Income tax expense on continuing operations	4,668	4,726	62	62
Share of tax of equity accounted associate	28	–	–	–
	4,696	4,726	62	62

Major components of income tax expense include :

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Current tax expense				
- Current year	5,162	5,501	60	60
- Prior year	(974)	(380)	2	2
Total current tax recognised in profit or loss	4,188	5,121	62	62
Deferred tax expense				
Origination and reversal of temporary differences	480	(679)	–	–
Under provision in prior year	–	284	–	–
	480	(395)	–	–
Share of tax of equity accounted associate	28	–	–	–
Total income tax expense	4,696	4,726	62	62

Reconciliation of tax expense

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Profit for the year	70,117	51,147	52,276	49,657
Total income tax expense	4,696	4,726	62	62
Profit excluding tax	74,813	55,873	52,338	49,719

20. Tax expense (cont'd)

Reconciliation of tax expense (cont'd)

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Income tax calculated using Malaysian tax rate of 24%	17,955	13,410	12,561	11,932
Effect of tax rate in different jurisdiction	(42)	(22)	–	–
Non-deductible expenses	1,448	2,036	453	343
Non-taxable income	(884)	(1,089)	(16)	(2)
Tax exempt income	(383)	(2,330)	(12,926)	(12,210)
Tax incentive	(12,946)	(4,554)	–	–
Effect of utilisation of deferred tax assets previously not recognised	–	(2,490)	–	–
Deferred tax assets not recognised	505	–	–	–
Other items	17	(139)	(12)	(3)
	5,670	4,822	60	60
(Over)/Under provision in prior year	(974)	(96)	2	2
	4,696	4,726	62	62

21. Other comprehensive (expense)/income

	2018			2017		
	Before tax	Tax expense	Net of tax	Before tax	Tax expense	Net of tax
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group						
Item that will not be reclassified subsequently to profit or loss						
Net change in fair value of equity investments at fair value through other comprehensive income	(569)	–	(569)	–	–	–
Items that are or may be reclassified subsequently to profit or loss						
Foreign currency translation differences for foreign operations						
- Gains/(Losses) arising during the year	500	–	500	(2,184)	–	(2,184)

21. Other comprehensive (expense)/income (cont'd)

	2018 Before tax RM'000	2018 Tax expense RM'000	2018 Net of tax RM'000	2017 Before tax RM'000	2017 Tax expense RM'000	2017 Net of tax RM'000
Group (cont'd)						
Items that are or may be reclassified subsequently to profit or loss (cont'd)						
Fair value of available-for-sale financial assets						
- Gains arising during the year	–	–	–	482	–	482
- Reclassification adjustments for losses on disposal included in profit or losses	–	–	–	(45)	–	(45)
	–	–	–	437	–	437
	500	–	500	(1,747)	–	(1,747)
	(69)	–	(69)	(1,747)	–	(1,747)
Company						
Item that will not be reclassified subsequently to profit or loss						
Net change in fair value of equity investments at fair value through other comprehensive income	(194)	–	(194)	–	–	–
Items that are or may be reclassified subsequently to profit or loss						
- Gains arising during the year	–	–	–	56	–	56
- Reclassification adjustments for losses on disposal included in profit or loss	–	–	–	(45)	–	(45)
	–	–	–	11	–	11
	(194)	–	(194)	11	–	11

22. Earnings per ordinary share - Group

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share at 31 December 2018 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, calculated as follows :

	2018 RM'000	**2017 RM'000**
Profit attributable to ordinary shareholders	70,117	51,147

	2018 '000	**2017 '000**
Issued ordinary shares at beginning of year	285,304	281,894
Effect of shares issued during the year	1,251	2,072
Effect of subdivision in year 2018	285,764	283,966
Effect of bonus issue in year 2018	95,252	94,646
Weighted average number of ordinary shares	667,571	662,578

	2018 sen	**2017 sen**
Basic earnings per ordinary share	10.50	7.72

Diluted earnings per ordinary share

The calculation of diluted earnings per ordinary share at 31 December 2018 was based on profit attributable to the ordinary shareholders and the weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, calculated as follows :

	2018 RM'000	**2017 RM'000**
Profit attributable to ordinary shareholders	70,117	51,147

	2018 '000	**2017 '000**
Weighted average number of ordinary shares at 31 December (basic)	667,571	662,578
Effect of ESOS	798	1,801
Weighted average number of ordinary shares at 31 December (diluted)	668,369	664,379

22. Earnings per ordinary share - Group (cont'd)

Diluted earnings per ordinary share (cont'd)

The average market value of the Company's shares for purpose of calculating the dilutive effect of share options was based on quoted market prices for the period during which the options were outstanding.

	2018 sen	2017 sen
Diluted earnings per ordinary share	10.49	7.70

23. Dividends - Group and Company

Dividends recognised by the Company :

	Sen per share	Total amount RM'000	Date of payment
2018			
Third interim 2017 ordinary and special	6.0	17,137	30 March 2018
First interim 2018 ordinary and special	3.0	20,010	11 July 2018
Second interim 2018 ordinary and special	3.0	20,071	4 December 2018
		57,218	
2017			
Final 2016 ordinary and special	5.0	14,225	4 July 2017
First interim 2017 ordinary and special	5.0	14,115	29 March 2017
Second interim 2017 ordinary and special	6.0	17,114	21 November 2017
		45,454	

A third interim single tier ordinary dividend of 1.0 sen per share and a single tier special dividend of 2.0 sen per share, totalling RM20,072,566 were declared on 26 February 2019 and paid on 26 March 2019.

24. Employee benefits - Group and Company

Share-based payments arrangement

The Group granted share options to Executive Directors and confirmed full-time employees with at least three months of service to purchase shares in the Company under the Employees Share Option Scheme 2014 ("ESOS 2014") approved by the shareholders of the Company on 20 May 2014.

The contractual lives of ESOS 2014 are five years commencing from 12 August 2014.

24. Employee benefits - Group and Company (con'd)

Share-based payments arrangement (cont'd)

Details of the grant are as follows :

Grant date	Number of options ('000)
14 August 2014	1,301
13 May 2015	1,038
26 October 2015	6
24 May 2016	3,801
20 October 2016	17
19 April 2017	1,260
25 October 2017	72
20 April 2018	1,976
25 October 2018	115

The terms and conditions related to the grants of the share option program are that the eligible persons are entitled to exercise the number of options granted over the remaining lives of ESOS 2014 from the granting dates on condition that the eligible persons are still in employment.

The number and weighted average exercise prices of share options are as follows :

	2018		2017	
	Weighted average exercise price RM	Number of options '000	Weighted average exercise price RM	Number of options '000
ESOS 2014				
Outstanding at 1 January	4.84	2,586	3.81	4,768
Effect of subdivision	–	4,103	–	–
Effect of bonus issue	–	1,367	–	–
Granted during the year	4.05	2,091	5.14	1,333
Exercised during the year	3.91/1.81*	(2,713)	3.50	(3,410)
Forfeited during the year	2.00	(756)	5.14	(105)
Outstanding at 31 December	2.04	6,678	4.84	2,586
Exercisable at 31 December	2.04	6,678	4.84	2,586

The options outstanding at 31 December 2018 have an exercise price in the range of RM1.41 to RM2.70 (31 December 2017 : RM3.29 to RM6.32) and a weighted contractual life of 0.6 year (2017 : 1.6 years).

During the financial year, 2,712,659 (2017 : 3,409,700) share options were exercised. The weighted average share price for ESOS 2014 at the dates of exercise for the year were RM3.91/RM1.81* (2017 : RM3.50).

24. Employee benefits - Group and Company (cont'd)

Share-based payments arrangement (cont'd)

The fair value of services received in return for share options granted is based on the fair value of share options granted, measured using a binomial lattice model, with the following inputs :

	Directors		Employees	
	2018	2017	2018	2017
	RM	RM	RM	RM
Fair value of share options and assumptions				
Fair value at grant date	0.67	1.06	0.67 & 0.38	1.06 & 1.07
Weighted average share price	4.17	5.07	4.17 & 2.07	5.14
Share price at grant date	4.17	5.07	4.17 & 2.16	5.07 & 6.32
Expected volatility (weighted average volatility)	37.82%	38.79%	37.82% & 35.97%	38.79% & 32.43%
Option life (expected weighted average life)	0.6 years	1.6 years	0.6 years	1.6 years
Expected dividends	3.97%	3.75%	3.97% & 3.56%	3.75% & 2.56%
Risk-free interest rate (based on Malaysian government bonds)	3.5%	3.3%	3.5%	3.3%

* Adjusted weighted average exercise price as a result of subdivision and bonus issue.

Value of employee services received for issue of share options

	2018	2017
	RM'000	RM'000
Share options forfeited	(274)	(104)
Share options granted	1,366	1,413
Total expense recognised as share-based payments	1,092	1,309

The share options expense is not recognised in the profit or loss of the Company as it has been re-charged to the subsidiaries benefiting from the services of the employees.

25. Capital commitments - Group

	2018	2017
	RM'000	RM'000
Property, plant and equipment		
- Contracted but not provided for	4,037	492

26. Operating segments - Group

The Group is principally confined to the manufacture, assembly, testing and sale of integrated circuits, chip carrier quartz crystal products, optoelectronic products, small outline components, LED components and modules, sensors and optical products, electronics/semiconductor components and technical plating services for the semiconductor and electronics industries. Accordingly, information by operating segments on the Group's operations as required by MFRS 8 is not presented.

Geographical segments

The Group's manufacturing activities are performed in Malaysia while sales and distribution activities are mainly performed in three principal geographical areas namely Malaysia, Singapore and United States.

In presenting information on the basis of geographical segments, segment revenue is based on geographical location of customers. Segment assets are based on the geographical location of the assets. The amounts of non-current assets do not include financial instruments (including investment in an associate) and deferred tax assets.

	Malaysia	Singapore	United States	Others	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000
2018					
Revenue from external customers	127,662	182,846	17,194	254	327,956
Non-current assets	152,291	–	–	–	152,291
2017					
Revenue from external customers	154,934	130,935	18,467	222	304,558
Non-current assets	157,212	–	–	–	157,212

Major customers

Two (2017 : Two) major customers of the Group, with revenue equal or more than 10% of the Group's total revenue, contribute approximately 79% (2017 : 71%) or RM259,271,000 (2017 : RM217,197,000) of the Group's total revenue.

27. Related parties

Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel include all the Directors of the Group.

The Group has related party relationship with :

(i) subsidiaries and associate of the Company as disclosed in Notes 5 and 6 to the financial statements;
(ii) key management personnel; and

27. Related parties (cont'd)

Identity of related parties (cont'd)

(iii) companies in which a Director, Mr Ng Kweng Chong is deemed to have a substantial financial interest :
- Ng Kweng Chong Holdings Sdn. Bhd. (Company No : 51580-M)
- Wiserite Sdn. Bhd. (Company No : 410593-W)
- Glencare Sdn. Bhd. (Company No : 549058-U)

Significant related party transactions

Related party transactions have been entered into in the normal course of business under normal trade terms. The significant related party transactions of the Group and of the Company are shown below. The balances related to the below transactions are shown in Note 10 to the financial statements.

	Group	
	2018	**2017**
	RM'000	**RM'000**
i) Transactions with an associate		
NGK Globetronics Technology Sdn. Bhd.		
Rental of investment property	1,883	1,883
Provision of management support services	192	192

	Company	
	2018	**2017**
	RM'000	**RM'000**
ii) Transactions with subsidiaries		
Globetronics Sdn. Bhd.		
Allocation of share-based payments	502	689
Dividend income	11,115	23,701
Provision of management support services	617	517
ISO Technology Sdn. Bhd.		
Allocation of share-based payments	329	328
Dividend income	11,000	15,000
Globetronics (KL) Sdn. Bhd.		
Allocation of share-based payments	75	141
Dividend income	6,992	11,000
Globetronics Manufacturing Sdn. Bhd.		
Allocation of share-based payments	186	151
Dividend income	24,000	–

27. Related parties (cont'd)

Significant related party transactions (cont'd)

iii) Transactions with Directors and key management personnel

There were no transactions with the Directors and key management personnel other than the following :

- remuneration package paid to them in accordance with the terms and conditions of their appointment as disclosed in Note 19 to the financial statements; and
- share options granted to Directors and key management personnel of the Group as disclosed in the Directors' Report of the Company and of its related corporations.

28. Financial instruments

28.1 Categories of financial instruments

The table below provides an analysis of financial instruments as at 31 December 2018 categorised as follows :

(a) Amortised cost ("AC"); and
(b) Fair value through other comprehensive income ("FVOCI")
- Equity instrument designated upon initial recognition ("EIDUIR").

	Carrying amount RM'000	AC RM'000	FVOCI - EIDUIR RM'000
2018			
Financial assets			
Group			
Other investments	8,191	–	8,191
Trade and other receivables (exclude prepayments and deposits)	73,369	73,369	–
Cash and cash equivalents	121,007	121,007	–
	202,567	194,376	8,191
Company			
Other investments	5,071	–	5,071
Trade and other receivables (exclude prepayments and deposits)	51	51	–
Cash and cash equivalents	28,086	28,086	–
	33,208	28,137	5,071

28. Financial instruments (cont'd)

28.1 Categories of financial instruments (cont'd)

	Carrying amount RM'000	AC RM'000
Financial liabilities		
Group		
Loans and borrowings	24,942	24,942
Trade and other payables	45,873	45,873
	70,815	70,815
Company		
Trade and other payables	802	802

The table below provides an analysis of financial instruments as at 31 December 2017 categorised as follows :

(a) Loans and receivables ("L&R");
(b) Available-for-sale financial assets ("AFS"); and
(c) Financial liabilities measured at amortised cost ("FL").

	Carrying amount RM'000	L&R RM'000	AFS RM'000
2017			
Financial assets			
Group			
Other investments	8,514	–	8,514
Trade and other receivables (exclude prepayments and deposits)	91,796	91,796	–
Cash and cash equivalents	116,352	116,352	–
	216,662	208,148	8,514
Company			
Other investments	5,084	–	5,084
Trade and other receivables (exclude prepayments and deposits)	69	69	–
Cash and cash equivalents	27,411	27,411	–
	32,564	27,480	5,084

28. Financial instruments (cont'd)

28.1 Categories of financial instruments (cont'd)

	Carrying amount RM'000	FL RM'000
2017		
Financial liabilities		
Group		
Loans and borrowings	51,196	51,196
Trade and other payables	57,623	57,623
	108,819	108,819
Company		
Trade and other payables		
	895	895

28.2 Net gains and losses arising from financial instruments

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Net gains/(losses) on :				
Equity instruments designated at fair value through other comprehensive income				
- recognised in profit or loss	122	–	17	–
- recognised in other comprehensive income	(569)	–	(194)	–
	(447)	–	(177)	–
Available-for-sale financial assets :				
- recognised in other comprehensive income	–	482	–	56
- recognised from equity to profit or loss	–	(45)	–	(45)
	–	437	–	11
Financial assets at amortised cost	3,083	–	1,057	–
Financial liabilities at amortised cost	(534)	826	–	–
Loans and receivables	–	834	–	1,437
	2,102	2,097	880	1,448

28. Financial instruments (cont'd)

28.2 Net gains and losses arising from financial instruments (cont'd)

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Net loss on impairment of financial instruments and contract assets :				
- financial assets at amortised cost	302	–	–	–

28.3 Financial risk management

The Group has exposure to the following risks from its use of financial instruments :

- Credit risk
- Liquidity risk
- Market risk

28.4 Credit risk

Credit risk is the risk of a financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from the individual characteristics of each customer and investment in debt securities. The Company's exposure to credit risk arises principally from advances to subsidiary and financial guarantees given to several banks for credit facilities granted to subsidiaries. There are no significant changes as compared to prior periods.

Trade receivables

Risk management objectives, policies and processes for managing the risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Normally credit evaluations are performed on customers requiring credit over a certain amount.

At each reporting date, the Group or the Company assesses whether any of the trade receivables are credit impaired.

The gross carrying amounts of credit impaired trade receivables are written off (either partially or full) when there is no realistic prospect of recovery. This is generally the case when the Group or the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Nevertheless, trade receivables that are written off could still be subject to enforcement activities.

There are no significant changes as compared to previous year.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk arising from trade receivables is represented by the carrying amounts in the statements of financial position.

28. Financial instruments (cont'd)

28.4 Credit risk (cont'd)

Trade receivables (cont'd)

Concentration of credit risk

The exposure of credit risk for trade receivables as at the end of the reporting period by geographic region was :

	Group	
	2018	2017
	RM'000	RM'000
Domestic	16,948	30,664
Singapore	51,317	49,312
United States	3,335	2,068
Others	455	16
	72,055	82,060

Recognition and measurement of impairment loss

In managing credit risk of trade receivables, the Group manages its debtors and takes appropriate actions (including but not limited to legal actions) to recover long overdue balances. Generally, trade receivables will pay within 60 days. The Group's debt recovery process is as follows :

a) Above 30 days past due after credit term, the Group's Finance and Business Development Management team will start to monitor and follow up with the Finance Department counterpart for a consistent debts repayment process; and
b) Above 90 days past due, the matter will be escalated to the senior management whereby discussion and a structured debts recovery process will be initiated and monitored closely.

The Group uses an allowance matrix to measure ECLs of trade receivables. Consistent with the debt recovery process, invoices which are past due 90 days will be considered as credit impaired.

Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to 90 days past due.

Loss rates are based on actual credit loss experience over the past three years. The Group also considers differences between (a) economic conditions during the period over which the historic data has been collected, (b) current conditions and (c) the Group's view of economic conditions over the expected lives of the receivables. Nevertheless, the Group believes that these factors are immaterial for the purpose of impairment calculation for the year.

28. Financial instruments (cont'd)

28.4 Credit risk (cont'd)

Trade receivables (cont'd)

Recognition and measurement of impairment loss (cont'd)

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at 31 December 2018 which are grouped together as they are expected to have similar risk nature.

	2018		
	Gross carrying amount RM'000	Loss allowances RM'000	Net balance RM'000
Group			
Current (not past due)	52,090	–	52,090
1 - 30 days past due	19,225	–	19,225
31 - 60 days past due	740	–	740
	72,055	–	72,055
Credit impaired			
Individually impaired	302	(302)	–
Trade receivables	72,357	(302)	72,055

The movements in the allowance for impairment in respect of trade receivables during the year are shown below.

	2018 Credit impaired RM'000
Group	
Balance at 1 January as per MFRS 9/MFRS 139	–
Net remeasurement of loss allowance	302
Balance at 31 December	302

28. Financial instruments (cont'd)

28.4 Credit risk (cont'd)

Trade receivables (cont'd)

Comparative information under MFRS 139, Financial Instruments: Recognition and measurement

The aging of trade receivables as at 31 December 2017 was as follows :

	Gross	Individual impairment	Collective impairment	Net
	RM'000	RM'000	RM'000	RM'000
Group				
2017				
Not past due	70,369	–	–	70,369
Past due 1-30 days	11,467	–	–	11,467
Past due 31-60 days	224	–	–	224
	82,060	–	–	82,060

The allowance account in respect of trade receivables is used to record impairment losses. Unless the Group is satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivable directly.

Cash and cash equivalents

The cash and cash equivalents are held with banks and financial institutions. As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statements of financial position.

These banks and financial institutions have low credit risks. In addition, some of the bank balances are insured by government agencies. Consequently, the Group and the Company are of the view that the loss allowance is not material and hence, it is not provided for.

Other receivables

Credit risks on other receivables are mainly arising from deposits paid for hostel rented and utilities. These deposits will be received at the end of each lease terms. The Group manages the credit risk together with the leasing arrangement.

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statements of financial position.

As at the end of the reporting period, the Group and the Company did not recognise any allowance for impairment losses.

28. Financial instruments (cont'd)

28.4 Credit risk (cont'd)

Trade receivables (cont'd)

Financial guarantees

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to certain subsidiaries. The Company monitors the ability of the subsidiaries to service their loans on an individual basis.

Exposure to credit risk, credit quality and collateral

The maximum exposure to credit risk amounts to RM28.77 million (2017: RM51.72 million) representing the outstanding banking facilities of the subsidiaries as at the end of the reporting period.

The financial guarantees are provided as credit enhancements to the subsidiary's secured loans.

Recognition and measurement of impairment loss

The Company assumes that there is a significant increase in credit risk when a subsidiary's financial position deteriorates significantly. The Company considers a financial guarantee to be credit impaired when :

- The subsidiary is unlikely to repay its credit obligation to the bank in full; or
- The subsidiary is continuously loss making and is having a deficit shareholders' fund.

The Company determines the probability of default of the guaranteed loans individually using internal information available.

As at the end of the reporting period, the Company did not recognise any allowance for impairment loss.

28.5 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arose principally from its various payables, loans and borrowings.

The Group maintains a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

28. Financial instruments (cont'd)

28.5 Liquidity risk (cont'd)

Maturity analysis

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments :

	Carrying amount RM'000	Contractual interest rates per annum %	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000
Non-derivative financial liabilities						
Group						
2018						
Revolving credits	24,942	2.19 - 3.24	25,370	21,188	4,182	–
Trade and other payables	45,873	–	45,873	45,873	–	–
	70,815		71,243	67,061	4,182	–
2017						
Term loans	2,738	2.16 – 2.36	2,738	2,738	–	–
Revolving credits	48,458	1.83 – 1.98	49,464	24,764	20,614	4,086
Trade and other payables	57,623	–	57,623	57,623	–	–
	108,819		109,825	85,125	20,614	4,086
Company						
2018						
Trade and other payables	802	–	802	802	–	–
Financial guarantees	–	–	28,765	28,765	–	–
	802		29,567	29,567	–	–
2017						
Trade and other payables	895	–	895	895	–	–
Financial guarantees	–	–	51,721	51,721	–	–
	895		52,616	52,616	–	–

28. Financial instruments (cont'd)

28.6 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices that will affect the Group's financial position or cash flows.

28.6.1 Currency risk

The Group is exposed to foreign currency risk on sales, purchases, cash and cash equivalents and borrowings that are denominated in a currency other than the respective functional currencies of Group entities. The currencies giving rise to this risk are primarily U.S. Dollar ("USD"), Euro ("EURO") and Japanese Yen ("YEN").

Risk management objectives, policies and processes for managing the risk

The Group ensures that the net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances.

Exposure to foreign currency risk

The Group's exposure to foreign currency (a currency which is other than the functional currency of the Group entities) risk, based on carrying amounts as at the end of the reporting period was :

	Denominated in			
	USD	**EURO**	**YEN**	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Group				
2018				
Trade and other receivables	57,330	–	–	57,330
Cash and cash equivalents	10,273	20	35	10,328
Trade and other payables	(5,692)	(127)	(137)	(5,956)
Loans and borrowings	(24,942)	–	–	(24,942)
Net exposure	36,969	(107)	(102)	36,760
2017				
Trade and other receivables	50,666	–	–	50,666
Cash and cash equivalents	13,632	18	56	13,706
Trade and other payables	(8,043)	(229)	(540)	(8,812)
Loans and borrowings	(48,458)	–	–	(48,458)
Net exposure	7,797	(211)	(484)	7,102

28. Financial instruments (cont'd)

28.6 Market risk (cont'd)

28.6.1 Currency risk (cont'd)

Currency risk sensitivity analysis

Foreign currency risk arises from Group entities which have a RM functional currency. The exposure to currency risk of Group entities which do not have a RM functional currency is not material and hence, sensitivity analysis is not presented.

A 5% (2017 : 5%) strengthening of the RM against the following currencies at the end of the reporting period would have (decreased)/increased post-tax profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group entities considered to be reasonably possible at the end of the reporting period. This analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted sales and purchases.

	Profit or loss	
	2018	**2017**
	RM'000	**RM'000**
Group		
USD	(1,405)	(296)
EURO	4	8
YEN	4	18

A 5% (2017 : 5%) weakening of RM against the above currencies at the end of the reporting period would have had equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remained constant.

28.6.2 Interest rate risk

The Group's investments in fixed rate debt securities and its fixed rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's variable rate borrowing is exposed to a risk of change in cash flows due to changes in interest rate. Investments in equity securities and short-term receivables and payables are not significantly exposed to interest rate risk.

Risk management objectives, policies and processes for managing the risk

The Group is presently enjoying competitive interest rates which are reviewed and negotiated on a yearly basis. The Group manage their interest rate risk by having a combination of borrowings with floating and fixed rates.

28. Financial instruments (cont'd)

28.6 Market risk (cont'd)

28.6.2 Interest rate risk (cont'd)

Exposure to interest rate risk

The interest rate profile of the Group's and the Company's significant interest-bearing and interest-earning financial instruments, based on carrying amounts as at the end of the reporting period was :

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Fixed rate instruments				
Financial assets				
Bonds/Funds	5,474	5,498	5,071	5,084
Cash and cash equivalents	114,627	102,762	27,905	26,831
	120,101	108,260	32,976	31,915
Floating rate instruments				
Financial liabilities				
Loans and borrowings	24,942	51,196	–	–

Interest rate risk sensitivity analysis

(a) *Fair value sensitivity analysis for fixed rate instruments*

The Group does not account for any fixed rate financial assets at fair value through profit or loss. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

(b) *Cash flow sensitivity analysis for variable rate instruments*

A change of 50 basis points ("bp") in interest rates at the end of the reporting period would have increased/(decreased) post-tax profit or loss by RM95,000 (2017: RM195,000). This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

28. Financial instruments (cont'd)

28.6 Market risk (cont'd)

28.6.3 Other price risk

Equity price risk arises from the Group's investments in equity securities.

Risk management objectives, policies and processes for managing the risk

Management of the Group monitors the equity investments on a portfolio basis. Material investments within the portfolio are managed on an individual basis. The management regularly updates the Audit and Risk Management Committee and Board of Directors on the investment portfolio of the Group.

Equity price risk sensitivity analysis

This analysis assumes that all other variables remain constant and the Group's and the Company's equity investments moved in correlation with the FTSE Bursa Malaysia KLCI ("FBMKLCI").

A 10% (2017: 10%) strengthening in FBMKLCI at the end of the reporting period would have increased equity by the amounts shown below for investments classified as fair value through other comprehensive income (2017: available-for-sale).

	Group	
	2018	**2017**
	RM'000	**RM'000**
Effect on equity	272	302

28. Financial instruments (cont'd)

28.7 Fair value information

The carrying amounts of cash and cash equivalents, short-term receivables and payables and short-term borrowings reasonably approximate their fair values due to the relatively short term nature of these financial instruments.

The table below analyses other financial instruments at fair value.

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2018										
Group										
Financial assets										
Quoted bonds/funds	–	5,474	–	5,474	–	–	–	–	5,474	5,474
Quoted shares	2,717	–	–	2,717	–	–	–	–	2,717	2,717
	2,717	5,474	–	8,191	–	–	–	–	8,191	8,191
Financial liability										
Loans and borrowings	–	–	–	–	–	–	24,942	24,942	24,942	24,942
Company										
Financial asset										
Quoted bonds/funds	–	5,071	–	5,071	–	–	–	–	5,071	5,071

28. Financial instruments (cont'd)

28.7 Fair value information (cont'd)

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value					
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total	Total fair value	Carrying amount
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2017										
Group										
Financial assets										
Quoted bonds/funds	–	5,498	–	5,498	–	–	–	–	5,498	5,498
Quoted shares	3,016	–	–	3,016	–	–	–	–	3,016	3,016
	3,016	5,498	–	8,514	–	–	–	–	8,514	8,514
Financial liability										
Loans and borrowings	–	–	–	–	–	–	51,196	51,196	51,196	51,196
Company										
Financial asset										
Quoted bonds/funds	–	5,084	–	5,084	–	–	–	–	5,084	5,084

28. Financial instruments (cont'd)

28.7 Fair value information (cont'd)

Level 2 fair value

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period.

Transfers between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and 2 fair values during the financial year (2017 : No transfer in either directions).

29. Capital management

The Group's objectives when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Directors monitor and are determined to maintain an optimal debt-to-equity ratio that complies with debt covenants and regulatory requirements.

There were no changes in the Group's approach to capital management during the financial year.

30. Significant changes in accounting policies

During the year, the Group and the Company adopted MFRS 15, *Revenue from Contracts with Customers* and MFRS 9, *Financial Instruments* on their financial statements. The Group and the Company generally applied the requirements of these accounting standards retrospectively with practical expedients and transitional exemptions as allowed by the standards. Nevertheless, as permitted by MFRS 9, the Group and the Company have elected not to restate the comparatives.

30.1 Accounting for financial instruments

a. Transition

In the adoption of MFRS 9, the following transitional exemptions as permitted by the standard have been adopted :

i) The Group and the Company have not restated comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Accordingly, the information presented for 2017 does not generally reflect the requirements of MFRS 9, but rather those of MFRS 139, *Financial Instruments: Recognition and Measurement*.

ii) The following assessments have been made based on the facts and circumstances that existed at the date of initial application :

- the determination of the business model within which a financial asset is held;
- the designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL; and
- the designation of certain investments in equity instruments not held for trading as at FVOCI.

iii) Loss allowance for receivables (other than trade receivables) is recognised at an amount equal to lifetime expected credit losses until the receivable is derecognised.

30. Significant changes in accounting policies (cont'd)

30.1 Accounting for financial instruments (cont'd)

b. Classification of financial assets and financial liabilities on the date of initial application of MFRS 9 :

There is no financial impact to current period and prior period financial statements of the Group and the Company upon the adoption of MFRS 9 except for change in classification of financial assets as follows :

			At 1 January 2018 Reclassification to new MFRS 9 category	
		At 31 December 2017	AC	FVOCI - equity instruments
	Note	RM'000	RM'000	RM'000
Category under MFRS 139				
Financial assets				
Group				
Loans and receivables				
Trade receivables	30.1(b)(i)	91,796	91,796	–
Cash and cash equivalents	30.1(b)(i)	116,352	116,352	–
		208,148	208,148	–
Available-for-sale				
Other investments	30.1(b)(ii)	8,514	–	8,514

30. Significant changes in accounting policies (cont'd)

30.1 Accounting for financial instruments (cont'd)

b. Classification of financial assets and financial liabilities on the date of initial application of MFRS 9 (cont'd) :

			At 1 January 2018 Reclassification to new MFRS 9 category	
		At 31 December 2017	AC	FVOCI - equity instruments
		RM'000	RM'000	RM'000
Category under MFRS 139				
Financial assets				
Company				
Loans and receivables				
Trade receivables	30.1(b)(i)	69	69	–
Cash and cash equivalents	30.1(b)(i)	27,411	27,411	–
		27,480	27,480	–
Available-for-sale				
Other investments	30.1(b)(ii)	5,084	–	5,084
Financial liabilities				
Group				
Other financial liabilities measured at amortised cost				
Loans and borrowings		51,196	51,196	–
Trade and other payables		57,623	57,623	–
		108,819	108,819	–
Company				
Other financial liabilities measured at amortised cost				
Trade and other payables		895	895	–

30. Significant changes in accounting policies (cont'd)

30.1 Accounting for financial instruments (cont'd)

b. Classification of financial assets and financial liabilities on the date of initial application of MFRS 9 (cont'd) :

(i) Reclassification from loans and receivables to amortised cost

Trade and other receivables that were classified as loans and receivables under MFRS 139 are now reclassified at amortised cost.

(ii) Reclassification from AFS to FVOCI

Other investments are investments that the Group intends to hold for long term strategic purposes. As permitted by MFRS 9, the Group has designated these investments as measured at FVOCI at the date of initial application.

Quoted bonds previously classified as available-for-sale were held by the Group primarily for collecting contractual cash flows and selling it if the need arises to meet liquidity requirements. These quoted bonds were reclassified as financial assets at FVOCI.

31. Significant events during the year

On 5 March 2018, the Company announced the following proposals to be undertaken :

(a) Proposed subdivision of every one (1) existing ordinary share held in the Company into two (2) ordinary shares;
(b) Proposed bonus issue of up to 96,651,980 new subdivided shares on the basis of one (1) bonus share for every six (6) subdivided shares held after the subdivision; and
(c) Proposed amendments to the Constitution of the Company.

(Collectively referred to as the "Proposals")

The Proposals were approved by the shareholders of the Company during an Extraordinary General Meeting convened on 8 May 2018. The subdivision and bonus issue arising from items (a) and (b) above were completed on 28 May 2018.

Statement By Directors
Pursuant To Section 251(2) of the Companies Act 2016

In the opinion of the Directors, the financial statements set out on pages 52 to 128 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2018 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors :

Ng Kweng Chong
Director

Dato' Heng Huck Lee
Director

Penang,

Date : 26 March 2019

Statutory Declaration
Pursuant To Section 251(1)(b) Of The Companies Act 2016

I, **Ng Kok Choon**, the officer primarily responsible for the financial management of Globetronics Technology Bhd, do solemnly and sincerely declare that the financial statements set out on pages 52 to 128 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by the abovenamed **Ng Kok Choon**, at George Town in the State of Penang on 26 March 2019.

Ng Kok Choon

Before me :

Goh Suan Bee (No. P125)
Pesuruhjaya Sumpah
(Commissioner for Oaths)
Penang

Independent Auditors' Report

To The Members Of Globetronics Technology Bhd
(Company No. 410285 - W)
(Incorporated in Malaysia)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Globetronics Technology Bhd, which comprise the statements of financial position as at 31 December 2018 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 52 to 128.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our auditors' report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><th colspan="2">Revenue recognition</th></tr>
<tr><td colspan="2">Refer to Note 2(p)(i) (accounting policy) and Note 17</td></tr>
<tr><th>The key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>As a result of the Group's products which are influenced by the global economic condition and its competitive pricing, the performance of the Group is heavily dependent on the sales demand of its customers.

We have identified revenue recognition as a key audit matter since the performance of the Group is susceptible to external parties expectation and hence, there is a risk that revenue may be misstated.</td><td>Our procedures included, amongst others :
• Evaluated the design and implementation of control over revenue recognition;
• Inspected significant new contracts during the financial year on material terms of contracts and non-standard arrangements for proper recognition in accordance with relevant accounting standard;
• Agreed sales recognised before and after year end on sampling basis to the delivery documents and considered whether the sales were recognised in the appropriate accounting period;
• Tested sales around year end for proper revenue recognition in the financial year by obtaining written confirmations of sales transactions from customers or compared the sales recognised to the delivery documents; and
• Assessed significant credit notes issued subsequent to year end to check whether they were related to the financial year ended 31 December 2018.</td></tr>
</table>

We have determined that there are no key audit matters in the audit of the separate financial statements of the Company to communicate in our auditors' report.

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the annual report and, in doing so, consider whether the annual report is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of the annual report, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the ability of the Group and of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also :

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Group and of the Company.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

To The Members Of Globetronics Technology Bhd
(Company No. 410285 - W)
(Incorporated in Malaysia)

Auditors' Responsibilities for the Audit of the Financial Statements (cont'd)

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group or of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors are disclosed in Note 5 to the financial statements.

Other Matter

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG PLT

LLP0010081-LCA & AF 0758

Chartered Accountants

Dato' Ooi Kok Seng

Approval Number : 02432/05/2019 J

Chartered Accountant

Date : 26 March 2019

Penang

Statistics On Shareholdings
as at 13 March 2019

Analysis by size of shareholdings

Total number of issued shares : 669,085,536
Voting right : One vote per Ordinary Share

Size of Shareholdings	Number of Shareholders	% of Shareholders	Number of Issued Shares	% of Issued Shares
1 - 99	316	3.43	14,954	0.00
100 - 1,000	1,217	13.20	842,081	0.13
1,001 - 10,000	5,049	54.79	23,215,885	3.47
10,001 - 100,000	2,186	23.72	63,619,290	9.51
100,001 - 33,454,275 (*)	446	4.84	482,594,745	72.13
33,454,276 and above (**)	2	0.02	98,798,581	14.76
Total	**9,216**	**100.00**	**669,085,536**	**100.00**

Remark: * Less than 5% of Issued Shares
** 5% and above of Issued Shares

Top 30 Shareholders

No.	Name	Number of Issued Shares	% of Issued Shares
1	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board	51,010,963	7.62
2	General Produce Agency Sdn. Berhad	34,895,324	5.22
3	Ng Kweng Chong Holdings Sdn Bhd	23,689,222	3.54
4	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (Nomura)	21,377,600	3.20
5	Amanahraya Trustees Berhad Amanah Saham Bumiputera 2	16,333,333	2.44
6	Maybank Nominees (Tempatan) Sdn Bhd MTrustee Berhad For CIMB Islamic Dali Equity Growth Fund (UT-CIMB-Dali)(419455)	13,702,333	2.05
7	General Produce Agency Sdn. Berhad	12,892,294	1.93
8	Amanahraya Trustees Berhad Public Islamic Opportunities Fund	12,855,500	1.92
9	CIMB Group Nominees (Tempatan) Sdn Bhd CIMB Commerce Trustee Berhad - Kenanga Growth Fund	12,649,833	1.89
10	Wiserite Sdn. Bhd.	12,412,912	1.86
11	Amanahraya Trustees Berhad Public SmallCap Fund	12,276,000	1.83
12	Kumpulan Wang Persaraan (Diperbadankan)	10,228,766	1.53
13	Urusharta Jamaah Sdn Bhd	9,000,000	1.35
14	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad Deutsche Trustees Malaysia Berhad For Eastspring Investments Small-Cap Fund	8,575,900	1.28
15	Wiserite Sdn. Bhd.	8,312,779	1.24
16	Amanahraya Trustees Berhad ASN Umbrella For ASN Equity 3	7,586,033	1.13

No.	Name	Number of Issued Shares	% of Issued Shares
17	Amanahraya Trustees Berhad Amanah Saham Malaysia 2 - Wawasan	7,444,300	1.11
18	Citigroup Nominees (Tempatan) Sdn Bhd Universal Trustee (Malaysia) Berhad For CIMB Islamic Dali Equity Fund	7,205,500	1.08
19	Ng Kweng Chong	6,979,165	1.04
20	Amanahraya Trustees Berhad For CIMB Islamic Dali Asia Pacific Equity Growth Fund	6,865,900	1.03
21	Citigroup Nominees (Asing) Sdn Bhd CBNY For Emerging Market Core Equity Portfolio DFA Investment Dimensions Group Inc	6,748,079	1.01
22	Amanahraya Trustees Berhad Public Strategic SmallCap Fund	6,373,366	0.95
23	Amanahraya Trustees Berhad PB Islamic SmallCap Fund	5,463,266	0.82
24	Citigroup Nominees (Tempatan) Sdn Bhd Kumpulan Wang Persaraan (Diperbadankan) (Kenanga)	5,430,500	0.81
25	Cartaban Nominees (Tempatan) Sdn Bhd PAMB For PruLink Equity Fund	5,415,800	0.81
26	Cartaban Nominees (Asing) Sdn Bhd Exempt An For RBC Investor Services Trust (Clients Account)	5,257,366	0.79
27	HLB Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Ng Yong Yin	5,175,500	0.77
28	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (CIMB PRIN)	4,813,100	0.72
29	HLB Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Ng Yong Keat	4,442,000	0.66
30	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad Deutsche Trustees Malaysia Berhad For Eastspring Investments Islamic Small-Cap Fund	4,311,200	0.64
	Total:	**349,723,834**	**52.27**

Substantial Shareholdings as at 13 March 2019

	No. of issued shares held				
Substantial Shareholders	**Direct Interest**	**%**	**Deemed Interest**		**%**
Ng Kweng Chong	6,979,165	1.04	45,021,705	(N1)	6.73
Gooi Mei Hoon	2,843,866	0.43	45,021,705	(N1)	6.73
Ng Kweng Chong Holdings Sendirian Berhad	23,689,222	3.54	21,332,483	(N2)	3.19
General Produce Agency Sdn Berhad	47,787,618	7.14	21,332,483	(N2)	3.19
Employees Provident Fund Board	84,090,829	12.57	–		–

Notes :

(N1) Deemed interested by virtue of Section 8 of the Companies Act 2016 held through Ng Kweng Chong Holdings Sendirian Berhad, Wiserite Sdn. Bhd. and Glencare Sdn. Bhd.

(N2) Deemed interested by virtue of Section 8 of the Companies Act 2016 held through Wiserite Sdn. Bhd. and Glencare Sdn. Bhd.

Directors' Shareholdings as at 13 March 2019

	No. of issued shares held				
Directors	**Direct Interest**	**%**	**Deemed Interest**		**%**
Ng Kweng Chong	6,979,165	1.04	45,021,705	N1	6.73
			2,894,866	N2	0.43
Dato' Heng Huck Lee	1,804,600	0.27	63,166	N2	0.01
Dato' Norhalim Bin Yunus	–	–	–	–	–
Dato' Syed Mohamad Bin Syed Murtaza	–	–	–	–	–
Dato' Iskandar Mizal Bin Mahmood	–	–	–	–	–
Ng Kok Khuan	123,333	0.02	223,160	N2	0.03
Yeow Teck Chai	146,813	0.02	194,001	N2	0.03
Lam Voon Kean	–	–	–	–	–
Ong Huey Min	–	–	210,000	N2	0.03

Notes :

(N1) Deemed interested by virtue of Section 8 of the Companies Act 2016 held through Ng Kweng Chong Holdings Sendirian Berhad, Wiserite Sdn. Bhd. and Glencare Sdn. Bhd.

(N2) Indirect interest held by family members.

Notice Of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 22nd Annual General Meeting (AGM) of the Company will be held at Ballroom 2, Lower Ground (LG) Level – Main Wing, Hotel Equatorial Penang, No. 1 Jalan Bukit Jambul, 11900 Bayan Lepas, Penang on Wednesday, 08 May 2019 at 10.30 a.m. for the following purposes: -

AGENDA

Ordinary Business		
1.	To receive the Audited Financial Statements for the financial year ended 31 December 2018 together with the Reports of Directors and Auditors thereon.	Please refer to Note 10
2.	To re-elect Mr. Ng Kweng Chong, a director who retires by rotation in accordance with Regulation 105 of the Company's Constitution and who, being eligible, offers himself for re-election.	**Resolution 1**
3.	To re-elect Dato' Heng Huck Lee, a director who retires by rotation in accordance with Regulation 105 of the Company's Constitution and who, being eligible, offers himself for re-election.	**Resolution 2**
4.	To re-elect Dato' Iskandar Mizal Bin Mahmood, a director who retires by rotation in accordance with Regulation 105 of the Company's Constitution and who, being eligible, offers himself for re-election.	**Resolution 3**
5.	To approve the payment of directors' fees amounting to RM1,204,250 for the financial year ended 31 December 2018.	**Resolution 4**
6.	To approve the payment of directors' benefits of up to an amount not exceeding RM40,000.00 to non-executive directors of the Company from 08 May 2019 until the conclusion of the next AGM of the Company.	**Resolution 5** Please refer to Note 11
7.	To re-appoint Messrs. KPMG PLT as auditors of the Company to hold office until the conclusion of the next AGM of the Company and to authorise the directors to fix their remuneration.	**Resolution 6**

Special Business

To consider and if thought fit, to pass with or without modifications, the following Special Resolution:

8. The existing Constitution of the Company be amended as follows:- **Special Resolution 1** Please refer to Note 12

   (a) Wherever appearing in the Constitution, the word "Regulation" or "Regulations" shall be amended to "Article" or "Articles".

   (b) Wherever appearing in the Constitution the words "notice or any other documents" it shall mean "notice of general meetings or any other documents (including annual report and/or audited financial statements) required to be sent under the Listing Requirements or permitted to be given, circulate or served under the Act or this Constitution by the Company or its directors to members of the Company."

   (c) That Regulation 190(iv) be hereby inserted in the Constitution to read as follows:-
   "The notice or any other documents (including annual report and/or audited financial statements) which are available on the Company's website where a copy thereof could be downloaded shall be deemed given, sent or served on members using electronic communications."

9. To transact any other business of which due notice shall have been given in accordance with the Company's Constitution and the Companies Act 2016.

By Order of the Board,

LEE PENG LOON (MACS 01258)
P'NG CHIEW KEEM (MAICSA 7026443)
Company Secretaries

Penang
Date: 09 April 2019

NOTES ON APPOINTMENT OF PROXY

(1) A proxy may but need not be a member of the Company.

(2) For a proxy to be valid, the proxy form duly completed must be deposited at the registered office of the Company at 51-21-A Menara BHL Bank, Jalan Sultan Ahmad Shah, 10050 Penang not less than twenty-four (24) hours before the time appointed for the taking of the poll or at any adjournment thereof.

(3) A member shall be entitled to appoint up to a maximum of two (2) proxies to attend and vote instead of him at the same meeting and where a member appoints two (2) proxies to vote at the same meeting, such appointment shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy.

(4) Where a member is an exempt authorized nominee which holds ordinary shares of the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies it may appoint in respect of each omnibus account it holds.

(5) Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy but not more than two (2) proxies in respect of each securities account it holds which is credited with the shares of the Company. The appointment of two (2) proxies in respect of a particular securities account shall be invalid unless the authorised nominee specifies the proportion of its shareholding to be represented by each proxy.

(6) In the case of a corporate member, the proxy form must be executed under the corporation's common seal or under the hand of an officer or attorney duly authorised.

(7) For the purpose of determining a member who shall be entitled to attend the meeting, the Company shall be requesting the Depository to issue a General Meeting Record of Depositors as at 30 April 2019. Only Depositors whose name appears on the Record of Depositors as at 30 April 2019 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his behalf.

(8) Pursuant to Paragraph 8.29A of the Main Market Listing Requirements of Bursa Securities, all the resolutions set out in this Notice will be put to vote by poll.

(9) Last date and time for lodging of Proxy Form will be on Tuesday, 07 May 2019 at 10.30 am (being the approximate time appointed for the taking of the poll at the AGM). Proxy Form transmitted by facsimile or electronic mail will not be accepted unless the original copy is received at the registered office, 51-21-A Menara BHL Bank, Jalan Sultan Ahmad Shah, 10050 Penang on Tuesday, 07 May 2019 at 10.30 am.

NOTES ON ORDINARY BUSINESS

(10) Agenda 1 is meant for discussion only as the provision of Section 340(1)(a) of the Companies Act 2016 does not require the shareholders' approval for the Audited Financial Statements. Hence, Agenda 1 is not put forward for voting.

(11) Resolution 5, if passed, will enable the Company to pay meeting allowance and other benefits to non-executive directors of the Company. The total amount of directors' benefits payable is estimated based on number of scheduled meetings of the Board and Board Committees as well as the number of non-executive directors involved in these meetings.

NOTES ON SPECIAL BUSINESS

(12) Special Resolution 1, if passed, will enable the directors to amend certain Regulations in the existing Constitution of the Company for administrative and clarification purposes.

ANNUAL REPORT 2018

(13) The Annual Report 2018 is in CD-ROM format. Printed copy of the Annual Report shall be provided to the shareholder upon request within four (4) market days from the date of receipt of the verbal or written request. A copy of the Annual Report can also be downloaded at www.globetronics.com.my.

Shareholders who wish to receive the printed Annual Report and who require assistance in viewing the CD-ROM, kindly contact Ms. Loo Wen Chyi at telephone no. 04-6444906 ext. 121 or email your request to wenchyi_loo@globe.com.my.

Statement Accompanying Notice of Annual General Meeting

(PURSUANT TO PARAGRAPH 8.27(2) OF MAIN MARKET LISTING REQUIREMENTS OF BURSA SECURITIES)

1) No individuals are standing for election as directors at the forthcoming 22nd Annual General Meeting of the Company.

2) The profiles of the directors who are standing for re-election as in Agenda 2, 3 and 4 of the Notice of the 22nd Annual General Meeting of the Company are set out in the Directors' Profile section of this Annual Report.

3) The details of the directors' interests in the securities of the Company as at 13 March 2019 are set out in the Statistics on Shareholdings section of this Annual Report.

List of Properties

Registered Owner/ Location	Description	Land Area (acres)	Build-up area (sq ft)	Tenure (Expiry date)	Age (Years)	Net Book Value as at 31.12.2018 (RM'000)	Date of Acquisition
Globetronics Sdn Bhd Plot 2, Phase 4, Free Industrial Zone, 11900 Bayan Lepas, Penang.	Leasehold Land	5.35		Leasehold 60 years (14-05-2051)		1,004	01.08.1990
	Factory Building		70,000		26	4,112	
	Factory Building		110,000		24	6,850	
	Factory Building		40,000		23	2,625	
Globetronics Sdn Bhd Lot 5 & 7, Jln SS 8/4, Kawasan MIEL, Phase II, Sg Way Baru, 47300 Petaling Jaya, Selangor Darul Ehsan.	Freehold Land	2.14		Freehold		3,987	31.12.2006
	Factory Building		39,492		45	1,730	
Globetronics (KL) Sdn Bhd Lot 1, Jln SS 8/4, Free Industrial Zone, Sungai Way, 47300 Petaling Jaya, Selangor Darul Ehsan.	Leasehold Land	0.75		Leasehold 99 years (30-10-2100)		1,594	28.07.2009
	Leasehold Land	0.31		Leasehold 99 years (11-10-2105)		672	
	Freehold Land	0.41		Freehold		1,165	
	Freehold Land	0.31		Freehold		872	
	Factory Building		103,465		46	4,288	
ISO Technology Sdn Bhd 290, 291 & 292, Phase 3 Free Industrial Zone, 11900 Bayan Lepas, Penang.	Leasehold Land	3.11		Leasehold 60 years (06-03-2050)		653	05.01.1999
	Factory Building		50,000		28	3,612	
ISO Technology Sdn Bhd 242 & 243, Lebuh Kampung Jawa, Sungai Kluang, Phase 3, FIZ, 11900 Bayan Lepas, Penang.	Leasehold Land	2.26		Leasehold 60 years Lot 1959 (21-11-2033) H.S.(D)13853 (02-03-2040)	45	966	20.11.2002
	Factory Building		67,515		38	3,381	

PROXY FORM

GLOBETRONICS TECHNOLOGY BHD. (Company No. 410285-W)

(Incorporated in Malaysia)

* I /We……………………………..…………………….(*I/C No./Passport No./Company No.……………..……………………………………………….)
(Full Name in Block Letters)

of ……………………………………………………..…………………………………………………………………………………..……………….
(Address)

being a * member / members of the abovenamed Company, hereby appoint ..……………...……………………………………………..………………
(Full Name in Block Letters)

(*I/C No./Passport No./Company No. ……..…………………………….) of………………………………………………………………………..………………
(Address)

………..…………………...
(Address)

or failing whom, the Chairman as *my/our proxy to vote for *me/us on *my/our behalf at the 22nd Annual General Meeting ("AGM") of the Company to be held at Ballroom 2, Lower Ground (LG) Level – Main Wing, Hotel Equatorial Penang, No. 1 Jalan Bukit Jambul, 11900 Bayan Lepas, Penang on Wednesday, 08 May 2019 at 10.30 a.m. and at any adjournment thereof.

ORDINARY RESOLUTIONS		**FOR**	**AGAINST**
1	To re-elect Mr. Ng Kweng Chong as a director of the Company		
2	To re-elect Dato' Heng Huck Lee as a director of the Company		
3	To re-elect Dato' Iskandar Mizal Bin Mahmood as a director of the Company		
4	To approve the payment of directors' fees		
5	To approve the payment of directors' benefits to non-executive directors		
6	To re-appoint Messrs. KPMG PLT as auditors of the Company		
SPECIAL RESOLUTION		**FOR**	**AGAINST**
1	To amend the Constitution of the Company		

Please indicate with an "x" in the appropriate spaces provided above on how you wish your vote to be cast. If no specific direction as to voting is given, the proxy may vote as he thinks fit.

Signed this ....day of ....,2019.

No. of shares held

For appointment of two(2) proxies, percentage of shareholdings to be represented by the proxies :

	No. of shares	%
Proxy 1		
Proxy 2		
		100

....

Signature(s) / Common Seal of Member(s)

Notes:

1. A proxy may but need not be a member of the Company.
2. For a proxy to be valid, the proxy form must be duly completed and deposited at the Registered Office of the Company, 51-21-A Menara BHL Bank, Jalan Sultan Ahmad Shah, 10050 Penang not less than twenty-four (24) hours before the time appointed for the taking of the poll or at any adjournment thereof.
3. A member shall be entitled to appoint up to two (2) proxies to attend and vote instead of him at the same meeting and where a member appoints two (2) proxies to vote at the same meeting, such appointment shall be invalid unless he specifies the proportion of his shareholding to be represented by each proxy.
4. Where a member is an exempt authorized nominee which holds ordinary shares of the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies it may appoint in respect of each omnibus account it holds.
5. Where a member is an authorized nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy but not more than two (2) proxies in respect of each securities account it holds which is credited with the shares of the Company. The appointment of two (2) proxies in respect of a particular securities account shall be invalid unless the authorized nominee specifies the proportion of its shareholding to be represented by each proxy.
6. In the case of a corporate member, this form must be executed under the corporation's common seal or under the hand of an officer or attorney duly authorised.
7. For the purpose of determining a member who shall be entitled to attend the AGM, the Company shall be requesting the depository to issue a General Meeting Record of Depositors as at 30 April 2019. Only Depositors whose name appears on the Records of Depositors as at 30 April 2019 shall be entitled to attend the AGM or appoint proxies to attend and/or vote on his behalf.
8. Pursuant to Paragraph 8.29A of the Main Market Listing Requirements of Bursa Securities, all the resolutions set out in the Notice of AGM will be put to vote by poll.
9. Last date and time for lodging of Proxy Form will be on Tuesday, 07 May 2019 at 10.30 am (being the approximate time appointed for the taking of the poll at the AGM). Proxy Form transmitted by facsimile or electronic mail will not be accepted unless the original copy is received at the Registered Office, 51-21-A Menara BHL Bank, Jalan Sultan Ahmad Shah, 10050 Penang on Tuesday, 07 May 2019 at 10.30 am.

* Strike out whichever is not desired.

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STAMP
HERE

The Secretary
Globetronics Technology Bhd. (410285-W)
51-21-A, Menara BHL Bank
Jalan Sultan Ahmad Shah
10050 Penang, Malaysia

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Globetronics Technology Bhd. (410285-W)
Plot 2, Phase 4, Free Industrial Zone
Bayan Lepas, 11900 Penang, Malaysia
T: 604-644 4906 | F: 604-644 6517

www.globetronics.com.my